

**CITY OF MARYSVILLE, MICHIGAN**

**ANNUAL FINANCIAL STATEMENTS**  
**with Supplementary Information**

**FOR THE YEAR ENDED**  
**JUNE 30, 2008**



# CITY OF MARYSVILLE, MICHIGAN

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Marysville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marysville, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Marysville, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marysville, Michigan, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2008, on our consideration of the City of Marysville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and important for assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 14, and schedule of funding progress, schedule of employer contributions and budgetary comparisons on pages 54 through 57 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marysville, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Certified Public Accountants

October 23, 2008



# CITY OF MARYSVILLE

1111 DELAWARE AVE. P. O. BOX 389 MARYSVILLE, MI 48040-0389 (810)-364-6613  
FAX: (810) 364-3940 E-MAIL: [tweglarz@cityofmarysvillemi.com](mailto:tweglarz@cityofmarysvillemi.com)

## MANAGEMENT DISCUSSION AND ANALYSIS

This section of the City of Marysville's annual financial report presents the City's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the City's financial statements, which follow this section. Comparative data to the prior year is included in this report when available and appropriate.

### FINANCIAL HIGHLIGHTS

- Total cost of all of the City's governmental programs (all funds except for water, sewer, golf and pension related funds) was \$9,548,722.
- In the City's business-type activities (sewer, water and golf), operating revenues were \$4,399,921, and operating expenses of \$3,693,136, resulting in a net operating income of \$706,785. With non-operating revenues and expenses and net transfers the business-type activities had a net income of \$1,152,888.
- The City of Marysville's total debt decreased by \$428,778 during the current fiscal year. Principal payments of \$531,658 were made for the Sewer Separation Bonds and the Building Authority Bonds. The City has increased the stated liability on an anticipated tax tribunal of \$100,000.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts – Management Discussion and Analysis (this section), the Basic Financial statements, required supplementary information (RSI), and an optional section that presents combining statements for non-major governmental funds and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the City: Government-wide Financial Statements and Fund Financial Statements. The table below summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

## Major Features of the City of Marysville Financial Statements

<i>Statement Type</i>	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private business: Water, Sewer, and Golf Fund	Where City is trustee for someone else's resources, ex. City General Retirement System
<i>Required financial statements</i>	- Statement of net assets  - Statement of activities	- Balance sheet  - Statement of revenues, expenditures & changes in fund balances	- Statement of net assets  - Statement of revenues, expenses and changes in fund net assets  - Statement of cash flows	- Statement of fiduciary net assets  - Statement of changes in fiduciary net assets
<i>Accounting basis &amp; measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short- and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short- and long-term	All assets & liabilities, both short and long-term; the City's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the year end; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenue and expenses during year, regardless of when cash is received or paid

### *Government-wide Financial Statements*

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies and provide long- and short-term information. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets are defined as the difference between assets and liabilities and are one way to measure the City's financial health or position.

The government-wide financial statements of the City are divided into three categories:

- Governmental activities (all activities except sewer, water, golf and pension related funds) – most of the City's basic services are included here, such as public safety, public works, parks and general administration. Property taxes and state and federal grants finance most of these activities.

- Business-type activities – activities where the City charges fees to customers to help cover the cost of services it provides; included here are the sewer, water and golf funds.
- Component units – the City has three component units; the Housing Commission, the Local Development Finance Authority [LDFA (1)], and the new Local Development Finance Authority [LDFA (2)] - although legally separate, the Housing Commission is important because the City is financially accountable for them. A copy of the Housing Audit can be obtained by requesting it directly from the Housing Commission. The LDFA (1) was formed to allow the City to capture money up to the amount spent to purchase the property for the Schefenacker Visions addition in 2005. The LDFA (2) was formed in 2007 to allow the City to capture money up to the amount spent to purchase the property for the Chrysler project.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants. The City has three types of funds:

- Governmental funds - Most of the City's basic services are reported in governmental funds (all funds except water, sewer, golf and pension related funds), which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. A description of the relationship (or differences) between governmental activities (in Statement of Net Assets and Statement of Activities) and governmental funds can be seen in the schedules on pages 15 and 16.
- Proprietary funds-Services for which the City charges customers a fee (water, sewer, motor pool and golf) are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The City's *enterprise* funds (a type of proprietary fund) are the same as the business-type activities, but provide more detail and information. The *internal service* fund (another proprietary fund type) reports activities that provide supplies and services for the City's other programs. The internal service fund reported here is the Motor Pool Fund.
- Fiduciary funds-The City is the trustee, or fiduciary, for its employees' pension and other employee benefit trust funds. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary Activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. They are excluded from the government-wide financial statements because these assets cannot be used to finance the City's operations.



## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's combined net assets increased to \$40.1 million from \$39.5 million in 2007 at an approximately 1.5% increase. A declining trend continues within Governmental Activities that are merely a result of the large annual depreciation of the mass of assets in relation to the small additions per year by comparison. The increase within the Business-type Activities resulted from an increase in Assets and a decrease in Long-term Debt for fiscal year 2008. Our analysis focuses on the net assets (Table 1) of the City's governmental and business-type activities. Comparison data from the prior year is also shown.

Table 1  
Net Assets of Governmental and Business-type Activities  
(in thousands)

	<b>Governmental Activities</b>		<b>Business- type Activities</b>		<b>Total Government</b>	
	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>
Current and other assets	13,235	13,828	3,059	3,297	16,294	17,125
Capital Assets	18,487	17,398	17,633	18,222	36,120	35,620
<b>Total Assets</b>	<b>\$31,722</b>	<b>\$31,226</b>	<b>\$20,692</b>	<b>\$21,519</b>	<b>\$52,414</b>	<b>\$52,745</b>
Long-term debt out-standing	6,321	6,310	5,650	5,230	11,971	11,540
Other liabilities	710	862	221	205	931	1,067
<b>Total Liabilities</b>	<b>\$7,031</b>	<b>\$7,171</b>	<b>\$5,871</b>	<b>\$5,435</b>	<b>\$12,902</b>	<b>\$12,606</b>
Net Assets:						
Invested in capital assets, net of debt	16,120	14,631	11,748	12,769	27,868	27,400
Restricted	3,101	3,628	0	0	3,101	3,628
Unrestricted	5,470	5,796	3,073	3,315	8,543	9,110
<b>Total Net Assets</b>	<b>\$24,691</b>	<b>\$24,055</b>	<b>\$14,821</b>	<b>\$16,084</b>	<b>\$39,512</b>	<b>\$40,139</b>

The decrease in net assets for the governmental activities is \$526,643, while the net assets for business-type activities actually increased by \$1,152,888. As stated above, the decrease in net assets for the governmental activities was mainly due to a change in Capital Assets by depreciated assets in relation to the amount of new assets added in this fiscal year. For the business type activities, the positive change in net assets was a result of contribution from other funds for construction and operating income of \$706,785.

## *Governmental Activities*

Governmental activities for the City include six major activities: General Government, Public Safety, Public Works, Recreation/Culture, Other Activities and Interest on Debt. General Government includes Administration, Assessor, Treasurer, Clerk, Finance and Community Development departments. Public Safety includes Police, Fire, Emergency Management and Building Inspector departments. Public Works includes primarily the Department of Public Works and building and maintenance of the major and local roads. The library, city parks, historical and recreation activities comprise the Recreation and Culture activity.

The largest revenue for governmental activities is the general operating property tax. The City was allowed by State law to increase its property tax by the raw rate of inflation for those properties that were not sold and had no construction improvements. The overall taxable value of property in the City increased .6% for taxes collected in the 07/08 fiscal year.

State shared revenue decreased for the sixth year in a row. This year's decrease of 3.0% or \$31,146 was the largest decrease over the past six years. Last year's decrease was 1.0 % or \$11,031. The Revenue Sharing dollars are a result of the State of Michigan collecting sales tax and redistributing a portion of it to the local jurisdictions. It represents the second largest source of revenue for the City, but unfortunately is volatile since it fluctuates with the economy.

To assist in maintenance and repair of the road system, the City receives Michigan Transportation Fund money. In fiscal year 2008, the City received \$593,494 from the Transportation Fund that is included in the "program revenues" section of the Statement of Activities for Public Works (operating grants and contributions). This 1.2% decrease from 2007 was expected due to the Reduction of State Distribution Notification that was received in 2005. Due to the volatility of the ACT 51 monies the City continually applies for Federal and/or State grants to assist with the maintenance and repair of the roads.

In addition to support from the General fund, Public Safety generates revenues from two major sources: the collections for ambulance services (EMS) in the Fire department and permits and licenses for general construction in the city.

Table 2 on page 8 presents the change in the Net Assets for all of the Governmental Activities. It covers the current ending fiscal year and two years prior for comparison purposes. It clearly shows the fluctuation of net assets over that time period. The Revenue totals for those three years illustrates the trend of a slight increase mainly due to investment income that is directly related to economic factors.

Table 2  
**Change in Net Assets for the Governmental Activities**

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Program revenues:			
Charges for services	553,614	603,946	687,726
Operating Grants & Contributions	1,319,186	715,590	706,803
Capital Grants and Contributions	233,549	168,323	207,877
General Revenues:			
Property Taxes	6,359,483	6,871,773	7,019,894
Franchise Fees	106,661	111,274	131,718
Grants & Contributions (not restricted)	1,055,189	1,044,158	1,013,012
Unrestricted investment income	230,455	800,261	715,364
Transfer	96,030	(610,755)	(744,443)
Special Items	(300,000)		
Total Revenues	<u>9,654,167</u>	<u>9,704,570</u>	<u>9,737,951</u>
Expenses:			
General Government	894,404	1,062,163	938,053
Public Safety	4,224,701	4,152,447	4,238,293
Public Works	4,394,930	4,268,970	4,246,934
Recreation & Cultural	501,229	639,624	597,417
Other Activities	830,357	14,998	1,158
Interest on Long Term Debt	122,605	178,455	242,739
Total Expenses	<u>10,968,226</u>	<u>10,316,657</u>	<u>10,264,594</u>
Change in net assets	(1,314,059)	(612,087)	(526,643)
Net assets at beginning of the year	26,617,603	25,303,544	24,691,457
Prior Period Adjustment	-	-	(109,967)
Net assets at end of year	<u><b>25,303,544</b></u>	<u><b>24,691,457</b></u>	<u><b>24,054,850</b></u>

### *Business-type Activities*

The City has three business-type activities: water, sewer and golf funds. As shown by the table on page 9, the revenues of these activities increased by 2.77 percent, and operating & non-operating expenses increased by approximately 1.85 percent. The City experienced a net asset increase of \$1,152,888.

**Table 3**  
**Changes in Net Assets of Business-type Activities**

	<u><b>2006</b></u>	<u><b>2007</b></u>	<u><b>2008</b></u>
Revenues:			
Charges for Services	4,339,437	4,127,349	4,142,831
Other	198,920	156,837	257,090
Investment Earnings	113,692	133,138	139,559
Total Revenues	<u>\$4,652,049</u>	<u>\$4,417,324</u>	<u>\$4,539,480</u>
Expenses:			
Operating & Non-operating	<u>3,914,188</u>	<u>3,751,915</u>	<u>3,821,329</u>
Total Expenses	<u>3,914,188</u>	<u>3,751,915</u>	<u>3,821,329</u>
Excess before transfers & capital contributions	737,861	665,409	718,151
Transfers & capital contributions	<u>(296,030)</u>	<u>46,236</u>	<u>434,737</u>
<b>Increase in Net Assets</b>	<b><u>\$ 441,831</u></b>	<b><u>\$ 711,645</u></b>	<b><u>\$1,152,888</u></b>

The increase in net assets occurred in both the Water and Sewer fund, the Sewer fund experienced the largest increase of \$911,956. This substantial increase in net assets was primarily due to the contributions of capital projects from the Capital Improvement and GO Bond Funds.

The Golf Fund incurred a loss for the fourth year. This year's loss decreased to \$51,599 from \$81,686 in 2007. Although uncontrollable cyclical economic factors continue, revenues increased by 4.15% due to increased Golf rates and operating expenses decreased by 1.88% as a result of expense control.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, the City of Marysville uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

### *Governmental Funds*

The focus of the City of Marysville's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Marysville's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the City completed the year, its governmental funds (as presented in the balance sheet on page 18) reported a combined fund balance of \$12,285,231, an increase of \$353,079 from 2007. Approximately 57% of this total amount constitutes unreserved fund balance, which is available for spending at the government's discretion. This is a decrease in unreserved fund balance of 16% from 2007. The change in the unreserved funds to total fund balance is due to the decrease in reserved Fund Balances and additional revenues over expenditures in the current fiscal year.

Of the unreserved amount, \$2,788,579 has been designated for various items, such as EMS equipment (\$978,141), potential tax abatement (\$1,052,000), fringe benefits (\$500,000) and building improvements (\$203,850). A complete listing can be found on page 52 in the Notes to Combined Financial Statements. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of the City of Marysville. At the end of fiscal year 2008, the fund balance of the general fund is \$5,290,250, while the fund balance at the beginning of the year was \$4,857,335, an increase of \$432,915. The 2006 Construction Fund had a fund balance of \$2,900,815 at June 30, 2008, a decrease of \$498,914. As seen on page 20, the Other Governmental Funds increased their fund balances by a total of \$419,078. Six funds increased their fund balances by a combined total of \$737,275: Major Street-\$219,583, Local Street-\$231,514, Drug Law Enforcement-\$1,708 Public Improvement-\$247,384, Industrial Development-\$11,587 and the Cemetery Perpetual Care-\$25,499. While three funds decreased their fund balances by a combined total of (\$318,197): Parks and Recreation-(\$119,627), Building Authority-(\$66,523), and Motor Vehicle Highway-(\$132,047). The net of these funds represent the aggregate change in fund balances of \$419,078.

#### *Proprietary Funds*

The City of Marysville's proprietary funds statements provide the same type of information as in the government-wide financial statements, but in more detail.

Total net assets for the Proprietary Funds at the end of the year were \$16,083,562, increased by \$1,152,888 from the prior year. The Water Fund increased by \$292,531 and the Wastewater Fund increased by \$911,956. The Golf Fund actually had a decrease in net assets by \$51,599. The Golf Fund continues to struggle in this depressed economy, striving to keep the expenses down.

#### *General Fund Budgetary Highlights*

Even though the budget is passed by the City Council prior to the beginning of the fiscal year, all expenditures throughout the year are reviewed and approved as they occur. Council and Administration, during Budget sessions, attempt to enable the City to respond to any changes that can and do occur throughout the twelve-month period. During the Budget process the Council discusses major projects proposed for the upcoming year, as well as, looking beyond the budget year. Over the course of the year, the City Administration monitors the budget, and if necessary, amends the budget to take into account unanticipated events that occur during the year. The fiscal year 2008 budget was amended to allow for an unexpected replacement of a police vehicle within the Motor pool Fund for a total of \$21,092.

The General Fund experienced an actual increase of revenues over expenditures and transfers of \$432,915. Additional revenues of \$658,000 resulted from investment interest, non-business licensing, sale of property, and taxes and penalties collected. Actual operating expenditures were \$225,000 less than originally budgeted. A wide spread of control of expenses throughout all departments contributed to the containment of actual to budgeted expenditures. In addition, an unplanned transfer of \$400,000 was initiated into the Healthcare fund and the transfer to the Recreation Department was \$70,000 less than budgeted. At the end of each year, the City evaluates its financial position and will make contributions to the Healthcare fund only if conditions are favorable.

As part of the budget process it was necessary to review and adjust the Water Rate Schedule in order to provide adequate revenues for the Marysville Water Filtration. Plant The amended rates were increased by 2% and became effective for metered and flat rate customers of the City of Marysville on July 1, 2007.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### *Capital Assets*

At the end of 2008, the City had a net book value of \$35.62 million invested in a broad range of capital assets, including police, fire and DPW equipment, buildings, park facilities, roads, and water and sewer lines. Refer to Table 4 for a schedule showing the Capital Assets at year-end for both the year ending June 30, 2007 and June 30, 2008 for both the Governmental and the Business-type activities. There is also a total column for the Total Primary Government for each year.

**Table 4**  
**Capital Assets at Year-end**  
**(Net of Depreciation - in thousands)**

	<b>Governmental Activities</b>		<b>Business- type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>
Land	\$1,067	\$917	\$92	\$91	\$1,159	\$1,008
Land improvements	\$943	\$960	\$561	\$557	\$1,504	\$1,517
Construction-in-progress	\$281	\$711	\$128	\$1,050	\$409	\$1,761
Buildings	\$3,858	\$3,781	\$2,859	\$2,721	\$6,717	\$6,502
Building improvements	\$128	\$76	\$89	\$95	\$217	\$171
Machinery & Equipment	\$917	\$863	\$851	\$909	\$1,768	\$1,772
Vehicles	\$223	\$153	-	-	\$223	\$153
Bike paths	\$301	\$287	-	-	\$301	\$287
Sidewalks	\$691	\$709	-	-	\$691	\$709
Streets	\$10,079	\$8,941	-	-	\$10,079	\$8,941
Water & Sewer systems	-	-	\$13,055	\$12,799	\$13,055	\$12,799
<b>TOTALS</b>	<b>\$18,488</b>	<b>\$17,398</b>	<b>\$17,635</b>	<b>\$18,222</b>	<b>\$36,123</b>	<b>\$35,620</b>

This year's major additions included:

Annual Concrete Streets/Sidewalk Improvements	\$ 623,633
Water & Sewer Line Improvements	912,757
Governmental Machinery / Equipment	44,758
Water / Sewer Machinery / Equipment	221,773
Motor Pool Vehicles	131,113
Land Improvements: Park Restrooms	24,198
Recreation – Skate Park	145,793

As of June 30, 2008, the City has a large volume of projects in process (Construction-in-Progress amount above in table) that are scheduled for completion in fiscal year 2009 and fiscal year 2010. A large part of CIP projects are Water Filtration and Sanitary Sewer Process control upgrades. These upgrades are part of a long-term plan to improve the City's water and sanitary system. These improvements are financed through city funds and a portion of the GO Bond obtained in fiscal year 2007.

A significant portion of CIP is an assembly of improvements to the City's drainage system. They were started in 2007 and completion is estimated for 2010. This assembly of projects includes various improvements to the drainage system in relation to improvements identified by the County Drain Commissioner as necessary. A General Obligation Bond was issued in 2007 to provide financing for the projects. These improvements are intended to reduce surface and basement flooding within the City.

Another on-going project that began in 2007, but not completed, is the reconstruction of Cuttle Road. Reconstruction was required to improve and maintain the life of the road. Completion is estimated for July 2008 and financing is provided through MDOT and State grants.

An additional ongoing project is the Michigan Avenue Reconstruction/Sewer Separation that will relieve sanitary surcharges upstream. This project began in fiscal year 2007 and is estimated for completion in October 2008. Financing at an approximate 80/20 match for the road reconstruction portion is provided through MDOT and State Grants.

#### *Debt*

At year-end, the City has \$11,539,693 in long-term debt versus \$11,971,351 last year. There was no new debt issued in fiscal year 2008; the only change was a decrease due to debt payment obligations. However, an additional \$100,000 was added for the contingency of Tax Tribunal cases. Table 5 below illustrates the outstanding debt at year-end.

**Table 5**  
**Outstanding Debt at Year-end**  
**(In Millions)**

	<b>Governmental Activities</b>		<b>Business- type Activities</b>		<b>Totals</b>	
	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>
General Obligation Bonds (backed by the City)	\$5,921	\$5,809	0	0	\$5,921	\$5,809
Estimated Tax Tribunal Liability	\$400	\$500	0	0	\$400	\$500
Revenue Bonds (backed by specific fee revenues)	0	0	\$5,650	\$5,230	\$5,650	\$5,230
Totals	\$6,321	\$6,309	\$7,657	\$7,238	\$11,971	\$11,539

In addition the vested vacation and sick pay, which is fully funded in an employee trust fund, was \$682,786.

The General Obligation bonds currently due are from the construction of the Police and Fire building and the purchase of the Department of Public-Works complex. These bonds were taken out in 1996 in the amount of \$3,225,000 and were paid during a refunding process in fiscal year 2005. The City issued a \$3,500,000 General Obligation Bond for the purpose of paying a portion of the costs of improvements to the City's share of the improvements to the Bunce Creek Huffman Drain.

The revenue bonds are a result of the Combined Sewer Separation and the Wet Weather project that the Michigan Department of Environmental Quality required of the City to decrease excess flows into the St. Clair River. The user fees in the sewer fund create the revenue to pay off these bonds. Final payments for Phase I and the CSO are scheduled for fiscal year 2015. Bond proceeds for Phase II of that same project were received by October 1996 in the amount of \$3,950,000 and scheduled for final payments in fiscal year 2018.

More detailed information about the City's long-term liabilities is presented in Note 8 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Marysville (October 2008 SEMCOG-population of 10,132) is primarily a residential community located in St. Clair County, Michigan. According to SEMCOG, population grew steadily from the 2000 Census by 4.63 percent. The city's proximity to the downtown Detroit metropolitan area and several major roadways, including Interstate Highways 94 and 69, has helped spur residential development. The latest reported (census 2000) median income level for Marysville is \$49,299 and the median house value is \$129,700.

The City continues to rely heavily on property taxes (75.9% of total revenues in 2008, 74.5% in 2007, 76.3% in 2006, 73.4% in 2005, 72.65% in 2004 and 70.1% in 2003) and continues operating within the state-authorized tax rate limit. With the continual anticipated decreases in Revenue Sharing at the State level in the years ahead, along with the short term outlook for the State of Michigan, the City administration will closely, with City Council, analyze all aspects of the budget process to continue providing the services that benefit the community.

The City has also adopted a budget for fiscal year 2008-09. In the General Fund budget for fiscal year 2008-09 the anticipated fund balance draw is \$752,433. Of that amount, \$600,000 will be drawn from accumulated Ambulance fees that have been designated for the anticipated purchase of a new fire truck. The City's elected and appointed officials considered many factors when setting that budget, along with the tax rates and fees that will be charged for the city's activities. The expenditures budgeted for the 2008-09 year in the general fund increased by 6.38% or \$497,912. This is an abnormally large increase in budgeted expenditures from fiscal years 2007-08 to 2008-09 and is due to the budgeted purchase of the fire truck.



## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office by mail at 1111 Delaware, Marysville, MI 48040, by phone 810-364-6613, ext. 314 by fax 810-364-3940, or e-mail [tweglarz@cityofmarysvillemi.com](mailto:tweglarz@cityofmarysvillemi.com).

## **BASIC FINANCIAL STATEMENTS**

# CITY OF MARYSVILLE, MICHIGAN

## STATEMENT OF NET ASSETS

**JUNE 30, 2008**

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 6,341,854	\$ 1,398,111	\$ 7,739,965	\$ -
Investments	6,000,333	1,379,144	7,379,477	-
Receivables (net of allowance)	848,934	804,840	1,653,774	-
Prepaid expenditures	104,612	13,038	117,650	-
Internal balances	319,239	( 319,239)	-	-
Due from component units	78,590	-	78,590	-
Inventory	-	20,717	20,717	-
Deferred charges	134,357	-	134,357	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	1,628,103	1,674,278	3,302,381	-
Assets being depreciated	15,770,403	16,547,692	32,318,095	-
Total Assets	<u>31,226,425</u>	<u>21,518,581</u>	<u>52,745,006</u>	<u>-</u>
<b>LIABILITIES:</b>				
Payables and accrued liabilities	783,948	175,908	959,856	-
Accrued interest	58,059	29,111	87,170	139,544
Advances and deposits	19,875	-	19,875	-
Due to primary government	-	-	-	54,359
Non-current liabilities				
Due within one year	161,658	425,000	586,658	34,549
Due in more than one year	6,148,035	4,805,000	10,953,035	3,417,292
Total Liabilities	<u>7,171,575</u>	<u>5,435,019</u>	<u>12,606,594</u>	<u>3,645,744</u>
<b>NET ASSETS:</b>				
Investment in capital assets, net of related liabilities	14,630,955	12,769,135	27,400,090	-
Restricted -				
Acquisition/construction of capital assets	1,521,198	-	1,521,198	-
Cemetery perpetual care				
Expendable	168,417	-	168,417	-
Nonexpendable	220,900	-	220,900	-
Streets	753,866	-	753,866	-
Public Improvement	957,358	-	957,358	-
Public Safety	6,099	-	6,099	-
Unrestricted	<u>5,796,057</u>	<u>3,314,427</u>	<u>9,110,484</u>	<u>( 3,645,744)</u>
Total Net Assets	<u>\$ 24,054,850</u>	<u>\$ 16,083,562</u>	<u>\$ 40,138,412</u>	<u>\$( 3,645,744)</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF MARYSVILLE, MICHIGAN

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General Government	\$ 938,053	\$ 100,021	\$ -	\$ -
Public Safety	4,238,293	458,031	31,035	-
Public Works	4,246,934	19,629	633,778	197,877
Recreation and Culture	597,417	61,146	41,990	10,000
Other Activities	1,158	48,899	-	-
Interest on Long Term Debt	242,739	-	-	-
Total governmental activities	<u>10,264,594</u>	<u>687,726</u>	<u>706,803</u>	<u>207,877</u>
Business type activities				
Water Supply System	1,713,983	1,960,171	-	-
Wastewater	1,500,759	1,891,979	-	100,294
Golf Course	<u>606,587</u>	<u>547,771</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>3,821,329</u>	<u>4,399,921</u>	<u>-</u>	<u>100,294</u>
Total Primary Government	<u><u>14,085,923</u></u>	<u><u>5,087,647</u></u>	<u><u>706,803</u></u>	<u><u>308,171</u></u>
<b>Component Units</b>				
Local Development Finance Authority				
District No. 1	25,941	-	-	-
District No. 2	<u>249,942</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Component Units	<u><u>\$ 275,883</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

General revenues:

- Property taxes
- Franchise fees
- Grants and contribution not -  
restricted to specific programs
- Unrestricted investment income
- Transfer - internal activities
- Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Prior period adjustment

Net assets at beginning of year, restated

Net assets at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Units
\$( 838,032)	\$ -	\$( 838,032)	\$ -
( 3,749,227)	-	( 3,749,227)	-
( 3,395,650)	-	( 3,395,650)	-
( 484,281)	-	( 484,281)	-
47,741	-	47,741	-
( 242,739)	-	( 242,739)	-
( 8,662,188)	-	( 8,662,188)	-
-	246,188	246,188	-
-	491,514	491,514	-
-	( 58,816)	( 58,816)	-
-	678,886	678,886	-
( 8,662,188)	678,886	( 7,983,302)	-
-	-	-	( 25,941)
-	-	-	( 249,942)
\$ -	\$ -	\$ -	\$( 275,883)
7,019,894	-	7,019,894	92,151
131,718	-	131,718	-
1,013,012	-	1,013,012	-
715,364	139,559	854,923	-
( 744,443)	334,443	( 410,000)	-
8,135,545	474,002	8,609,547	92,151
( 526,643)	1,152,888	626,245	( 183,732)
24,691,457	14,820,710	39,512,167	( 3,462,012)
( 109,964)	109,964	-	-
24,581,493	14,930,674	39,512,167	( 3,462,012)
\$ 24,054,850	\$ 16,083,562	\$ 40,138,412	\$( 3,645,744)

**CITY OF MARYSVILLE, MICHIGAN**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	<u>General</u>	<u>2006 Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 663,250	\$ 3,314,122	\$ 1,771,377	\$ 5,748,749
Investments	4,098,436	-	1,901,897	6,000,333
Receivables -				
Property taxes (net of allowance)	35,321	-	1,073	36,394
Interest and accounts	98,159	-	38,512	136,671
Special assessments	-	-	2,677	2,677
Due from other governmental units -				
Federal/State	129,129	-	474,216	603,345
Local	-	-	41,990	41,990
Due from other funds	299,828	-	-	299,828
Due from component units	36,019	-	42,571	78,590
Advance to other funds	222,835	-	-	222,835
Prepayments and deposits	87,912	-	14,636	102,548
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 5,670,889</u>	<u>3,314,122</u>	<u>\$ 4,288,949</u>	<u>\$ 13,273,960</u>
<b>Liabilities:</b>				
Accounts payable	\$ 290,784	\$ 237,740	\$ 176,035	\$ 704,559
Accrued liabilities	34,659	-	14,998	49,657
Advances and deposits	19,875	-	-	19,875
Due to other funds	-	175,567	-	175,567
Deferred revenue	35,321	-	3,750	39,071
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>380,639</u>	<u>413,307</u>	<u>194,783</u>	<u>988,729</u>
<b>Fund Balances:</b>				
Reserved	407,621	2,900,815	1,925,151	5,233,587
Unreserved				
Designated	2,781,609	-	6,970	2,788,579
Undesignated -				
General Fund	2,101,020	-	-	2,101,020
Special Revenue Funds	-	-	2,162,045	2,162,045
Total Equity	<u>5,290,250</u>	<u>2,900,815</u>	<u>4,094,166</u>	<u>12,285,231</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities and Fund Equity	<u>\$ 5,670,889</u>	<u>\$ 3,314,122</u>	<u>\$ 4,288,949</u>	<u>\$ 13,273,960</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MARYSVILLE, MICHIGAN**

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR  
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
ON THE STATEMENT OF NET ASSETS  
JUNE 30, 2008**

Fund Balances - total governmental funds		\$	12,285,231
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Capital assets			49,563,003
Accumulated depreciation		(	32,703,698)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			
Delinquent Personal Property Taxes	36,394		
Special Assessments	<u>2,677</u>		39,071
Internal Service Fund used by management to charge cost of the City's motor pool activities. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			
			1,104,638
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Bonds payable	(	5,935,000)	
Contingent Liabilities	(	500,000)	
Accrued interest	(	<u>58,059</u>	( 6,493,059)
Bond Issuance costs reported as debt retirement in the governmental funds, where they deferred and amortized for net assets			
			134,357
Discounts and Premiums on bonds are reported as other financing sources or uses in the governmental funds, where they are capitalized and amortized from net assets (netted against bonds payables)			
			50,400
Losses on refunding are not reported in the governmental funds, where they are capitalized and amortized for net assets (netted against bonds payable)			
			<u>74,907</u>
Net Assets of governmental activities		\$	<u><u>24,054,850</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MARYSVILLE, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	General	2006 Construction	Other Governmental Fund	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 7,067,425	\$ -	\$ 11,333	\$ 7,078,758
Licenses and permits	354,770	-	-	354,770
Intergovernmental -				
Federal/State	1,056,282	-	819,420	1,875,702
Local	-	-	41,990	41,990
Charges for services	238,602	-	-	238,602
Fines and forfeits	23,243	-	-	23,243
Interest and rent	388,595	141,092	192,552	722,239
Special assessment	-	-	2,998	2,998
Other	172,130	-	88,503	260,633
Total Revenues	<u>9,301,047</u>	<u>141,092</u>	<u>1,156,796</u>	<u>10,598,935</u>
<b>Expenditures:</b>				
Current -				
General Government	695,269	-	-	695,269
Public Safety	3,232,283	-	1,912	3,234,195
Public Works	1,679,006	732	882,736	2,562,474
Recreation and Cultural	281,257	-	260,408	541,665
Other Activities	1,177,466	-	-	1,177,466
Capital Outlay	59,026	226,383	650,556	935,965
Debt Service				
Principal	-	-	120,000	120,000
Interest	-	-	281,688	281,688
Total Expenditures	<u>7,124,307</u>	<u>227,115</u>	<u>2,197,300</u>	<u>9,548,722</u>
Revenues over (under) expenditures	<u>2,176,740</u>	<u>( 86,023)</u>	<u>( 1,040,504)</u>	<u>1,050,213</u>
<b>Other Financing Sources (Uses):</b>				
Transfer In	-	-	2,440,850	2,440,850
Transfer Out	( 1,743,825)	( 412,891)	( 981,268)	( 3,137,984)
Total Other Financing Sources (Uses)	<u>( 1,743,825)</u>	<u>( 412,891)</u>	<u>1,459,582</u>	<u>( 697,134)</u>
Net change in Fund Balance	432,915	( 498,914)	419,078	353,079
Fund Balances at beginning of year	<u>4,857,335</u>	<u>3,399,729</u>	<u>3,675,088</u>	<u>11,932,152</u>
Fund Balances at end of year	<u>\$ 5,290,250</u>	<u>\$ 2,900,815</u>	<u>\$ 4,094,166</u>	<u>\$ 12,285,231</u>

The accompanying notes are an integral part of these financial statements.



**CITY OF MARYSVILLE, MICHIGAN**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2008**

Net change in fund balances - total governmental funds	\$	353,079
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	878,194	
Depreciation expense	( 1,659,974)	
Loss on disposal	( 150,492)	
Proceed for sale of asset	( 55,000)	

Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	( 61,541)	
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The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets.

Principal payment on bonds	120,000		
Bond discount	( 2,100)		
Amortization of deferred issuance cost	( 12,874)		
Amortization of deferred loss on refunding	( 6,242)		
Decrease in accrued interest	<u>47,291</u>		146,075

Internal service funds used by management to charge costs of the City's motor pool activities. The net revenues (expenses) attributable to those funds is reported with governmental activities.	123,016	
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Contingent Liabilities	( 100,000)	
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Change in net assets of governmental activities	\$( 526,643)	
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The accompanying notes are an integral part of these financial statements.

**CITY OF MARYSVILLE, MICHIGAN**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2008**

	Business Type Activities-Enterprise Funds				Governmental Activities
	Water Supply System	Wastewater	Golf Course	Total	Internal Service Fund
<b>ASSETS:</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 411,110	\$ 774,799	\$ 212,202	\$ 1,398,111	\$ 593,105
Investment	1,170,757	208,387	-	1,379,144	-
Accounts and interest receivable (net of allowance)	463,084	341,756	-	804,840	-
Inventories	-	-	20,717	20,717	-
Prepaid expenses	8,263	2,528	2,247	13,038	2,064
Total Current Assets	<u>2,053,214</u>	<u>1,327,470</u>	<u>235,166</u>	<u>3,615,850</u>	<u>595,169</u>
<b>Property, Plant and Equipment:</b>					
Property, plant and equipment	12,098,137	14,781,714	1,974,620	28,854,471	1,778,351
Less - accumulated depreciation	( 5,876,560)	( 3,959,664)	( 796,277)	( 10,632,501)	( 1,239,150)
Total Property, Plant and Equipment (net of accumulated depreciation)	<u>6,221,577</u>	<u>10,822,050</u>	<u>1,178,343</u>	<u>18,221,970</u>	<u>539,201</u>
Total Assets	<u><u>\$ 8,274,791</u></u>	<u><u>\$ 12,149,520</u></u>	<u><u>\$ 1,413,509</u></u>	<u><u>\$ 21,837,820</u></u>	<u><u>\$ 1,134,370</u></u>
<b>LIABILITIES:</b>					
<b>Current Liabilities:</b>					
Accounts payable	\$ 58,043	\$ 55,979	\$ 15,117	\$ 129,139	\$ 28,336
Accrued expenses	6,496	29,861	7,580	43,937	1,396
Accrued interest	-	29,111	-	29,111	-
Notes payable (current portion)	-	425,000	-	425,000	-
Due to other funds	7,230	-	92,006	99,236	-
Total Current Liabilities	<u>71,769</u>	<u>539,951</u>	<u>114,703</u>	<u>726,423</u>	<u>29,732</u>
<b>Long-Term Liabilities (net of current portion):</b>					
Advance from other funds	-	-	222,835	222,835	-
Notes payable	-	4,805,000	-	4,805,000	-
Total Long-Term Liabilities	<u>-</u>	<u>4,805,000</u>	<u>222,835</u>	<u>5,027,835</u>	<u>-</u>
Total Liabilities	<u>71,769</u>	<u>5,344,951</u>	<u>337,538</u>	<u>5,754,258</u>	<u>29,732</u>
<b>NET ASSETS:</b>					
Investment in capital assets, net of related liabilities	6,221,577	5,592,050	955,508	12,769,135	539,201
Unrestricted					
Designated	288,000	213,789	50,000	551,789	146,000
Undesignated	<u>1,693,445</u>	<u>998,730</u>	<u>70,463</u>	<u>2,762,638</u>	<u>419,437</u>
Total Net Assets	<u><u>\$ 8,203,022</u></u>	<u><u>\$ 6,804,569</u></u>	<u><u>\$ 1,075,971</u></u>	<u><u>\$ 16,083,562</u></u>	<u><u>\$ 1,104,638</u></u>

The accompanying notes are an integral part of these financial statements.

# CITY OF MARYSVILLE, MICHIGAN

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2008

	Business Type Activities-Enterprise Funds				Governmental Activities
	Water Supply System	Wastewater	Golf Course	Total	Internal Service Funds
<b>Operating Revenues:</b>					
Charges for services					
Service fees	\$ 1,907,111	\$ 1,841,673	\$ 394,047	\$ 4,142,831	\$ -
Rent income	-	-	150,246	150,246	684,378
Other	53,060	50,306	3,478	106,844	250
Total Operating Revenues	<u>1,960,171</u>	<u>1,891,979</u>	<u>547,771</u>	<u>4,399,921</u>	<u>684,628</u>
<b>Operating Expenses:</b>					
Personnel services	812,172	527,950	357,355	1,697,477	207,109
Supplies	94,257	127,976	81,795	304,028	155,793
Other services	521,896	384,071	128,590	1,034,557	46,271
Depreciation	285,658	338,335	33,081	657,074	125,847
Total Operating Expenses	<u>1,713,983</u>	<u>1,378,332</u>	<u>600,821</u>	<u>3,693,136</u>	<u>535,020</u>
Operating Income (Loss)	<u>246,188</u>	<u>513,647</u>	<u>( 53,050)</u>	<u>706,785</u>	<u>149,608</u>
<b>Non-Operating Revenues (Expenses):</b>					
Gain on sale of assets	-	-	-	-	3,120
Interest earned	94,198	38,144	7,217	139,559	17,597
Interest expenses	-	( 122,427)	( 5,766)	( 128,193)	-
Total Non-Operating Revenues	<u>94,198</u>	<u>( 84,283)</u>	<u>1,451</u>	<u>11,366</u>	<u>20,717</u>
Net Income (Loss) Before Transfers and Capital Contributions	<u>340,386</u>	<u>429,364</u>	<u>( 51,599)</u>	<u>718,151</u>	<u>170,325</u>
<b>Capital Contributions:</b>	<u>-</u>	<u>100,294</u>	<u>-</u>	<u>100,294</u>	<u>-</u>
Net Income (Loss) Before Transfers	<u>340,386</u>	<u>529,658</u>	<u>( 51,599)</u>	<u>818,445</u>	<u>170,325</u>
<b>Transfers:</b>					
Transfers from other funds	-	547,015	-	547,015	10,546
Transfers to other funds	( 47,855)	( 164,717)	-	( 212,572)	( 57,855)
	<u>( 47,855)</u>	<u>382,298</u>	<u>-</u>	<u>334,443</u>	<u>( 47,309)</u>
Net Income (Loss)	<u>292,531</u>	<u>911,956</u>	<u>( 51,599)</u>	<u>1,152,888</u>	<u>123,016</u>
Net Assets at beginning of year	<u>7,910,491</u>	<u>5,782,649</u>	<u>1,127,570</u>	<u>14,820,710</u>	<u>981,622</u>
Prior period adjustment	<u>-</u>	<u>109,964</u>	<u>-</u>	<u>109,964</u>	<u>-</u>
Net Assets at beginning of year, restated	<u>7,910,491</u>	<u>5,892,613</u>	<u>1,127,570</u>	<u>14,930,674</u>	<u>981,622</u>
Net Assets end of year	<u>\$ 8,203,022</u>	<u>\$ 6,804,569</u>	<u>\$ 1,075,971</u>	<u>\$ 16,083,562</u>	<u>\$ 1,104,638</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MARYSVILLE, MICHIGAN**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	Business Type Activities-Enterprise Funds				Governmental Activities
	Water Supply System	Wastewater	Golf Course	Total	Internal Service Funds
<b>Cash Flows From Operating Activities:</b>					
Cash receipts from customers	\$ 1,909,219	\$ 1,923,967	\$ 547,771	\$ 4,380,957	\$ -
Cash receipts from interfund services	-	-	-	-	684,628
Cash payments to suppliers	( 639,776)	( 496,438)	( 207,840)	( 1,344,054)	( 190,801)
Cash payments to employees	( 834,349)	( 516,804)	( 355,245)	( 1,706,398)	( 214,755)
Net Cash Provided (Used) by Operating Activities	<u>435,094</u>	<u>910,725</u>	<u>( 15,314)</u>	<u>1,330,505</u>	<u>279,072</u>
<b>Cash Flows From Noncapital Financing Activities:</b>					
Payment from/to other funds	( 47,855)	382,298	-	334,443	(47,309)
Due from/to other funds	7,230	-	( 11,333)	( 4,103)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>( 40,625)</u>	<u>382,298</u>	<u>( 11,333)</u>	<u>330,340</u>	<u>( 47,309)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Bond payments	-	( 545,968)	-	( 545,968)	-
Capital Contribution	-	100,294	-	100,294	-
Payments on Advance	-	-	( 20,095)	( 20,095)	-
Proceeds from the sale of assets	-	-	-	-	16,120
Acquisition and construction of capital assets	( 542,005)	( 592,525)	-	( 1,134,530)	( 146,797)
Net Cash Used by Capital and Related Financing Activities	<u>( 542,005)</u>	<u>( 1,038,199)</u>	<u>( 20,095)</u>	<u>( 1,600,299)</u>	<u>( 130,677)</u>
<b>Cash Flows From Investing Activities:</b>					
Purchase of investments	( 60,154)	( 10,702)	-	( 70,856)	-
Interest earned	90,189	37,430	7,217	134,836	17,597
Net Cash Provided by Investing Activities	<u>30,035</u>	<u>26,728</u>	<u>7,217</u>	<u>63,980</u>	<u>17,597</u>
Net Increase (Decrease) in Cash and Cash Equivalents for the year	( 117,501)	281,552	( 39,525)	124,526	118,683
Cash and Cash Equivalents at Beginning of Year	<u>528,611</u>	<u>493,247</u>	<u>251,727</u>	<u>1,273,585</u>	<u>474,422</u>
Cash and Cash Equivalents at End of Year	<u>\$ 411,110</u>	<u>\$ 774,799</u>	<u>\$ 212,202</u>	<u>\$ 1,398,111</u>	<u>\$ 593,105</u>

**Reconciliation of Operating Income (Loss) to**

**Net Cash Provided (Used) by Operating Activities:**

Operating income (loss) for the year	\$ 246,188	\$ 513,647	\$( 53,050)	\$ 706,785	\$ 149,608
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -					
Depreciation	285,658	338,335	33,081	657,074	125,847
Change in assets and liabilities -					
Receivable	( 50,952)	31,988	-	( 18,964)	-
Prepays and deposits	( 859)	1,055	( 123)	73	( 362)
Inventory	-	-	( 470)	( 470)	-
Accounts payable/accrued expenses	( 44,941)	25,700	5,248	( 13,993)	3,979
Net Cash Provided (Used) By Operating Activities	<u>\$ 435,094</u>	<u>\$ 910,725</u>	<u>\$( 15,314)</u>	<u>\$ 1,330,505</u>	<u>\$ 279,072</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MARYSVILLE, MICHIGAN**

**STATEMENT OF FIDUCIARY NET ASSETS**

**FIDUCIARY FUNDS**

**JUNE 30, 2008**

	Pension and Other Employee Benefit Trust Funds	Agency Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$      756,134	\$      138,697
Investments	44,265,222	-
Receivables	134,110	116,384
Due from other funds	<u>      2,832</u>	<u>          -</u>
Total Assets	<u><u>\$     45,158,298</u></u>	<u><u>\$      255,081</u></u>
 <b>LIABILITIES:</b>		
Accrued liabilities	\$      807,730	\$              -
Due to other governmental units	-	255,081
Due to other funds	<u>      27,857</u>	<u>              -</u>
Total Liabilities	<u><u>     835,587</u></u>	<u><u>\$      255,081</u></u>
 <b>NET ASSETS:</b>		
Held in trust for pension benefits	<u><u>\$     44,322,711</u></u>	

The accompanying notes are an integral part of these financial statements.

# CITY OF MARYSVILLE, MICHIGAN

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2008

	Pension and Other Employee Benefit Trust Funds
<b>Additions:</b>	
Contributions	
Member contributions	\$ 213,117
Employer contributions	<u>2,197,256</u>
Total Contributions	<u>2,410,373</u>
Investment income	
Interest/Dividends	1,440,339
Unrealized gain (loss)	( 9,034,545)
Gain (loss) on sale of investments	<u>4,693,176</u>
Total investment income	( 2,901,030)
Less investment expenses	( 177,830)
Net investment income	<u>( 3,078,860)</u>
Total Additions	<u>( 668,487)</u>
<b>Deductions:</b>	
Retirement benefit payments	2,487,654
Health insurance	908,406
Vested benefits	8,084
Professional fees	34,991
Miscellaneous	<u>68,894</u>
Total Deductions	<u>3,508,029</u>
Net Increase	( 4,176,516)
Net assets held in trust for pension benefits	
Beginning of year	<u>48,499,227</u>
End of year	<u><u>\$ 44,322,711</u></u>

The accompanying notes are an integral part of these financial statements.

## **COMPONENT UNITS**

**CITY OF MARYSVILLE, MICHIGAN**

**COMBINING STATEMENT OF NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNITS  
JUNE 30, 2008**

	Local Development Finance Authority District No. 1	Local Development Finance Authority District No. 2	Total
<b>LIABILITIES</b>			
Accrued interest	\$ -	\$ 139,544	\$ 139,544
Due to primary government	42,571	11,788	54,359
Non-current liabilities			
Due within one year	34,549	-	34,549
Due in more than one year	235,875	3,181,417	3,417,292
	<u>312,995</u>	<u>3,332,749</u>	<u>3,645,744</u>
Total Liabilities			
	<u>312,995</u>	<u>3,332,749</u>	<u>3,645,744</u>
<b>NET ASSETS</b>			
Unrestricted	( 312,995)	( 3,332,749)	( 3,645,744)
	<u>( 312,995)</u>	<u>( 3,332,749)</u>	<u>( 3,645,744)</u>
Total net assets	<u><u>\$( 312,995)</u></u>	<u><u>\$( 3,332,749)</u></u>	<u><u>\$( 3,645,744)</u></u>

The accompanying notes are an integral part of these financial statements.



# CITY OF MARYSVILLE, MICHIGAN

## COMBINING STATEMENT OF ACTIVITIES DISCRETELY PRESENTED COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Charges for Services	Operating Grants and Contributions	Capital Grants and Contribution
<b>Local Development Finance Authority</b>				
District No. 1				
Governmental activities:				
Other Activities	\$ 11,522	-	-	-
Interest on Long Term Debt	14,419	-	-	-
	<u>25,941</u>	<u>-</u>	<u>-</u>	<u>-</u>
District No. 2				
Governmental activities:				
Other Activities	120,392	-	-	-
Interest on Long Term Debt	129,550	-	-	-
	<u>249,942</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Component Units	<u>\$ 275,883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Property taxes

Total general revenues

Change in net assets

Net deficit at beginning of year

Net deficits at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets		
Local Development Finance Authority District No. 1	Local Development Finance Authority District No. 2	Total
\$ ( 11,522)		
( 14,419)		
<u>( 25,941)</u>		\$ ( 25,941)
	\$ ( 120,392)	
	( 129,550)	
	<u>( 249,942)</u>	<u>( 249,942)</u>
		<u>( 275,883)</u>
<u>92,151</u>	<u>-</u>	<u>92,151</u>
<u>92,151</u>	<u>-</u>	<u>92,151</u>
66,210	( 249,942)	( 183,732)
<u>( 379,205)</u>	<u>( 3,082,807)</u>	<u>( 3,462,012)</u>
<u><u>\$ ( 312,995)</u></u>	<u><u>\$ ( 3,332,749)</u></u>	<u><u>\$ ( 3,645,744)</u></u>

# **CITY OF MARYSVILLE, MICHIGAN**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

#### **A. Reporting Entity –**

The City of Marysville, Michigan was incorporated in 1924, under the provisions of Act 279, P.A. of 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government and provides the following services as authorized by its charter, including public safety (police, fire, civil defense, and inspections), highways and streets, sanitation, community development, culture-recreation, public improvements, planning and zoning, water supply and sewage disposal systems, and general administrative services.

These financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate for the City.

#### **BLENDED COMPONENT UNIT -**

**CITY OF MARYSVILLE BUILDING AUTHORITY** - was formed for the purpose of constructing and renovating various Municipal buildings. The main function of the Authority at the present time is to pay off debt. The five (5) member Board is appointed by the Mayor with the City Council confirmation and the City is fiscally responsible for the Authority. As a result, the Authority has been included as a blended component unit.

#### **DISCRETELY PRESENTED COMPONENT UNITS -**

**MARYSVILLE HOUSING COMMISSION** - is a nonprofit entity established pursuant to the Authority of Act 18 of the Public Act of 1933, as amended, which is governed by a five (5) member board appointed by the City Manager. This is a legally separate entity, but is considered a component unit due to the City's ability to influence the Housing Commission's actions through representation on the Housing Commission Board and because of their financial relationship.

The latest audited financial statements that is available is for the fiscal year ended March 31, 2007, which is not within six months of the City year end as required by GASB No. 14. Therefore, the following summary information for latest audited financial statement has been presented below, as well as the unaudited financial information for the fiscal year ended March 31, 2008.

	For the Year Ended <u>March 31, 2007</u>	<u>Unaudited</u> For the Year Ended <u>March 31, 2008</u>
Total Assets	\$ 3,507,714	\$ 3,347,907
Total Liabilities	<u>146,495</u>	<u>143,824</u>
Total Net Assets	<u>\$ 3,361,219</u>	<u>\$ 3,204,083</u>
Invested in Capital Assets	2,925,252	2,738,012
Unrestricted	<u>435,963</u>	<u>466,071</u>
	<u>\$ 3,361,219</u>	<u>\$ 3,204,083</u>
Total Operating Revenue	336,638	364,956
Total Operating Expenses	( 708,028)	( 756,130)
Total Nonoperating Revenue	<u>333,962</u>	<u>234,038</u>
Change in Net Assets	<u>\$ ( 27,428)</u>	<u>\$ ( 157,136)</u>

# CITY OF MARYSVILLE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

The audited financial statements of the Marysville Housing Commission, once completed, may be obtained at the following location:

Marysville Housing Commission  
1100 New York  
Marysville, Michigan 48040

**LOCAL DEVELOPMENT FINANCE AUTHORITIES** - were formed for the purpose of promoting and stimulating the local economy. The main function of the Authorities at the present time is to provide aid to local businesses for economic growth and expansion. The audited financial statements of the Local Development Finance Authorities are included with these statements.

**FISCAL YEAR ENDS** - All of the city Funds and component units operate and are reported on a June 30 year end with the exception of the Marysville Housing Commission, which operates on a March 31 year end.

#### B. Government-wide and fund financial statements –

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not property included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### C. Measurement focus, basis of accounting and financial statement presentation –

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

# CITY OF MARYSVILLE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes which are levied on July 1, and due on August 31, are recognized as revenue in the year due. Also, only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

**General Fund** – is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**2006 Construction Fund** – is used to account for the bond proceeds and the cost of constructing various capital improvements, including the Bunce Creek Huffman Drain Project.

The City reports the following major proprietary funds:

**Water Supply System Fund** – is used to account for the treatment and distribution of water to residential and commercial users.

**Wastewater Fund** – is used to account for sanitary sewer services provided to the residential and commercial users.

**Golf Course Fund** – is used to account for the operations and activities of operating the City owned golf course.

Additionally, the City reports the following fund types –

**Special Revenue Funds** – are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulation provisions or administrative actions.

**Debt Service Funds** – are used to account for the accumulation of resources for, and the payment of long-term general obligation debt of governmental funds.

**Capital Projects Fund** – are used to account for revenue restricted for the acquisition and/or construction of major capital assets not being financed by proprietary funds.

# CITY OF MARYSVILLE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

**Internal Service Fund** – is used to account for the costs of operating and maintaining the City's motor pool. Charges are made to other funds based on equipment used.

**Pension Trust and Other Employee Trust Funds** – are used to accumulate resources for pension, health benefits, and vested vacation and sick for qualified employees.

**Agency Fund** – is used to account for assets held by the Township as an agent for other governments and other funds.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for these business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operations. The principle operating revenues of the Enterprise and Internal Services Funds are charges to customers for sale and services. Operating expenses from Enterprise and Internal Service Funds include costs of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, the unrestricted resources as they are needed.

#### **D. Assets, Liabilities and Net Assets or Equity –**

##### **Deposits and Investments –**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit with original maturities of three months or less from the date of acquisition. The investment trusts have the general characteristics of demand deposit accounts in that the City may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amount which reasonably approximates fair value.

# **CITY OF MARYSVILLE, MICHIGAN**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):**

State statutes authorize the City to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

#### **Receivables and Payables –**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property the receivables are shown net of an allowance for uncollectible.

#### **Inventories and Prepaid Items –**

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### **Property Tax Calendar –**

The City’s property tax is levied as of July 1 on the assessed valuation of property located in the City as of the preceding December 31. The taxes are due on August 31 with final collection date as of February 28, after which they are added to the delinquent tax roll. The city also collects taxes for other governmental units, which are recorded in the tax fund.

#### **Capital Assets –**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

# CITY OF MARYSVILLE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

	Primary <u>Government</u>
Buildings and improvements	7-50
Land improvements	7-40
Utility systems	10-50
Machinery and equipment	3-20
Bikepaths	30
Vehicles	3-10
Sidewalks	30
Streets	20-30

#### **Compensated Absences –**

In accordance with contracts negotiated with the various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. The City has elected to fund vacation and sick time as it is earned. As a result, these amounts are appropriately accounted for in the Employees Vacation and Sick Pay Fund.

#### **Long-Term Obligations –**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **Fund Equity –**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **Estimates –**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



# CITY OF MARYSVILLE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

#### Budgetary Information –

Annual budgets are adopted for the General and Special Revenue Funds on a basis consistent with accounting principles generally accepted in the United States of America and are not significantly different from the modified accrual basis used to reflect actual results.

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

In January the department heads/responsible individuals are provided various information to prepare the budgets for their department, which are due at the end of January. The City Manager and Finance Director assembles each of the department budgets and prepares one tentative overall budget. The budget is presented to the City Council in April for review. The City Council holds a public hearing and may make any revisions, which, in their opinion and as a result of the public hearing, is necessary.

The general fund budget was approved at the activity level and the total expenditure level for the Special Revenue Funds. Expenditures at these legally adopted levels are a violation of the Budgetary Act. During the year the City incurred expenditures in the General and Special Revenue Funds which were in excess of the amount appropriated as follows:

#### Excess of Expenditures Over Appropriations –

<u>Fund Type/Function/Activity</u>	<u>Appropriations</u>	<u>Expended</u>	<u>Variance</u>
Major Funds:			
General Fund –			
General Government			
Cemetery	\$ 103,869	\$ 106,513	\$ 2,644
Public Works			
Dial-A-Ride	130,000	142,902	12,902
Recreation & Cultural			
Parks	191,648	235,208	43,560
Transfers Out	1,318,901	1,743,825	424,925
Nonmajor Funds:			
Industrial Development Fund	900	1,851	951
Public Improvement Fund	78,500	90,797	12,297

As of June 30, 2008, the Local Development Finance Authority (Component Unit) had a deficit fund balance of \$42,571. The deficit will be eliminated as taxes are captured in the district.

# CITY OF MARYSVILLE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 3 - DEPOSITS AND INVESTMENTS:

#### Carrying Amount -

At year-end, the carrying amount of the City of Marysville cash and investments is as follows:

	Primary Government	Fiduciary Units	Reporting Entity
Cash -			
Petty cash and cash on hand	\$ 1,916	\$ -	\$ 1,916
Deposits with Financial Institutions -			
Checking / Money Market	7,738,049	894,831	8,632,880
Total Cash and Cash Equivalents Reported on Combined Balance Sheet	7,739,965	894,831	8,634,796
Investments -			
Marketable CD's	914,206	400,828	1,315,034
U.S. Government Securities	6,449,897	7,257,566	13,707,463
Convertible Securities	15,374	2,279,023	2,294,397
Stocks -			
U.S. Market	-	6,405,993	6,405,993
Foreign	-	1,027,294	1,027,294
Corporate Bonds / Notes -			
U.S. Market	-	3,025,009	3,025,099
Foreign	-	115,599	115,599
Mutual Funds	-	23,753,910	23,753,910
Total Investments Reported on Combined	7,379,477	44,265,222	51,644,699
Grand Total – Combined Balance Sheet	\$ 15,119,442	\$ 45,160,053	\$ 60,279,495

#### Deposits -

Act 217 PA 1982, as amended, authorizes the City to deposit in certificate of deposit, saving accounts depository accounts, or depository receipts of a state or nationally chartered bank or state or federal chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintain a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended by section 21.145 and 21.146 of the Michigan Compiled Laws.

**Custodial Credit Risk – Deposits** - Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned. As an indication of the level of deposits custodial credit risk assumed by the City, as of June 30, 2008, the book value of the City's deposits was \$8,632,880 with a corresponding bank balance of \$8,985,907. Insured deposits were \$200,000, and the remaining \$8,785,907 was uninsured or uncollateralized.

The City's investment policy allows for the use of bank deposits, including certificates of deposit. There are no limitations placed on the use of bank deposits.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution and assesses the level of risk. The City uses only those financial institutions with an acceptable estimated risk level as depositories.

# CITY OF MARYSVILLE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

#### Investments -

The City's investment policy and Act 20 of the Michigan Public Acts of 1943, as amended, authorizes the City to invest surplus funds in bonds, securities and other direct obligations of the United States government or an agency or instrumentality of the United States; certificates of deposits, savings accounts, deposit accounts or depository receipts of a financial institution only if the bank, savings and loan association, or credit union is eligible to be a depository of funds belonging to the State; bankers' acceptance of United States banks; commercial paper rated at the time of purchase within the highest classification established by not less than two standard rating services, which mature not more than 270 days after the date of purchase; mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the surplus funds investment pool act, 1982 PA 3657, 129.111 to 129.118; investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

Cash and investments of the City's retirement system, health care fund and employee vacation and sick pay fund are subject to the requirements of the Public Employee Retirement System Investments Act (MCL 38.1132).

**Credit Risk – Investments** – is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organization. The City Employees Retirement System and the Police Officers and Firefighter Retirement System specifies that all debt securities must have a qualifying rating of Baa/BBB or above by at least two of its major rating agencies at the time of issue. The overall rating of the portfolio should be AA or better. As of year-end, the credit quality ratings city investments are as follows:

Investments	Fair Market Value		Rating	Rating Organization
	Primary Government	Fiduciary Unit		
Corporate Bond/Notes	-	\$ 952,150	AAA	Moody's
Corporate Bond/Notes	-	115,599	AA2	Moody's
Corporate Bond/Notes	-	175,805	AA+	Moody's
Corporate Bond/Notes	-	586,103	AA	Moody's
Corporate Bond/Notes	-	243,478	A	Moody's
Corporate Bond/Notes	-	641,433	BB	Moody's
Corporate Bond/Notes	-	237,250	BB-	Moody's
Corporate Bond/Notes	-	188,790	B	

**Custodial Credit Risk – Investments** – is the risk that, in the event of the failure of the counterparty, the City may not be able to recover the value of its investments that are in the possession of another party. The City's policy requires securities be held by a third party custodian designated by the treasurer and evidenced by safekeeping receipts. As of June 30, 2008, \$51,644,699 of investments were held in third-party safekeeping not in the City's name, however, evidenced by safekeeping receipts. Marketable CD's with a carrying amount of \$1,315,034 was FDIC insured in amount of \$542,772 and remaining \$772,262 was uninsured and uncollateralized.

# CITY OF MARYSVILLE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):

**Concentration of Credit Risk – Investments** – is the risk of loss attributed to the magnitude of the City's investment in a single issuer.

Primary Government – the City places no limits on the amounts the City may invest with any single issuer.

Fiduciary Unit – the General City Employees Retirement System and the Police Officers and Firefighters Retirement System establish certain minimums and maximums that may be invested in any asset class (International Securities, Small/Mid Cap, Equity, Large Cap Equity, Core Bonds, Fixed Income and Cash). The managers may not invest more than 5% of the System's assets in the outstanding securities of an issue, except for Treasury and Agency securities. There is no policy that places limits on the amount any of the other pension-type funds may invest with any issuer.

As of June 30, 2008, the City had investments of 5% or more of the total investments as follows:

	<u>Governmental</u>	<u>Fiduciary</u>
Federal Home Loan Mortgage Corporation	53%	- %
Federal Home Loan Bank	11	-
GINNIE MAE	24	-
Standard Federal Certificates of Deposit	5	-
I Shares TR LEHMAN AGG BND - Mutual Funds	-	27
Julius Baer INVT FDS - Mutual Funds	-	11
Davis SER INC - Mutual Funds	-	11
Allegian MM/FD I Shares	-	5

**Interest Rate Risk – Investment** – is the risk that the value of investments will decrease as a result of a rise in the interest rates. The investment policy adopted by the City for the primary government specifies the investment portfolio shall be designed with the objective of obtaining a rate of return throughout the budgetary and economic cycle taking into account the investment risk contracts and cash flow characteristics of the portfolio. At year-end, the City's investments had the following range of maturity dates:

<u>Investment Type</u>	<u>Fair Value</u>	<u>1-5</u>	<u>6-10</u>	<u>&gt;10</u>
U.S. Government Securities	\$ 13,707,463	\$ -	\$ 159,522	\$13,547,941
Corporate Bonds/Notes	3,025,009	-	1,251,215	1,773,794
Certificate of Deposit	<u>1,315,034</u>	<u>348,747</u>	<u>692,361</u>	<u>273,926</u>
Total Investments	<u>\$ 18,047,506</u>	<u>\$ 348,747</u>	<u>\$ 2,103,098</u>	<u>\$15,595,661</u>

Negotiability – Negotiable certificate of deposits are usually in bearer form, and have secondary market that are easily transferable and highly liquid. As of June 30, 2008, the City had negotiable Certificate of Deposits in the amount of \$1,315,034.

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 4 - RECEIVABLES:**

Receivables in the governmental and business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Property Taxes	\$ 61,394	\$ -
Interest and accounts	241,073	1,074,237
Special Assessments	2,677	-
Intergovernmental –		
Federal/State	603,345	-
Local	41,990	-
Due from fiduciary funds	<u>27,857</u>	<u>-</u>
	978,336	1,074,237
Less – allowance for uncollectible	<u>( 129,402)</u>	<u>( 269,397)</u>
	<u>\$ 848,934</u>	<u>\$ 804,840</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund –		
Property taxes	\$ 35,321	\$ -
Nonmajor Governmental Funds –		
Public Improvement –		
Property taxes	477	-
Special Assessments	2,677	-
Motor Vehicle Highway –		
Property taxes	<u>\$ 596</u>	<u>\$ -</u>
Total deferred/unearned receivables to governmental funds	<u>\$ 39,071</u>	<u>\$ -</u>

# CITY OF MARYSVILLE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 5 - CAPITAL ASSETS:

#### Primary Government

Capital asset activity of the primary government for the year ended June 30, 2008 was as follows:

	July 1, 2007 Balance, <u>Restated</u>	<u>Additions</u>	<u>Deletions</u>	June 30, 2008 <u>Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,067,470	\$ -	\$ 150,000	\$ 917,470
Construction in progress	<u>170,601</u>	<u>595,524</u>	<u>55,492</u>	<u>710,633</u>
Total capital assets, not being depreciated	<u>1,238,071</u>	<u>595,524</u>	<u>205,492</u>	<u>1,628,103</u>
Capital assets, being depreciated:				
Buildings	6,052,486	24,199	-	6,076,685
Building improvements	498,622	-	-	498,622
Land improvements	2,224,635	145,795	-	2,370,430
Machinery and equipment	2,540,193	175,872	67,458	2,648,607
Vehicles	908,849	-	-	908,849
Bikepaths	394,876	-	-	394,876
Sidewalks	2,174,081	59,761	-	2,233,842
Streets	<u>34,557,500</u>	<u>23,840</u>	<u>-</u>	<u>34,581,340</u>
Total capital assets being depreciated	<u>49,351,242</u>	<u>429,467</u>	<u>67,458</u>	<u>49,713,251</u>
Less accumulated depreciation for:				
Buildings	\$ 2,193,567	\$ 101,700	\$ -	\$ 2,295,267
Building improvements	370,735	51,532	-	422,267
Land improvements	1,281,077	129,516	-	1,410,593
Machinery and equipment	1,623,093	217,519	54,458	1,786,154
Vehicles	686,567	69,314	-	755,881
Bikepaths	94,330	13,162	-	107,492
Sidewalks	1,483,671	41,577	-	1,525,248
Streets	<u>24,478,445</u>	<u>1,161,501</u>	<u>-</u>	<u>25,639,946</u>
Total accumulated depreciation	<u>32,211,485</u>	<u>1,785,821</u>	<u>54,458</u>	<u>33,942,848</u>
Total capital assets being depreciated, net	<u>17,139,757</u>	<u>( 1,356,354)</u>	<u>13,000</u>	<u>15,770,403</u>
Governmental activities capital assets, net	<u>\$ 18,377,828</u>	<u>\$ ( 760,830)</u>	<u>\$ 218,492</u>	<u>\$ 17,398,506</u>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	91,500	-	-	91,500
Land improvements	532,370	-	-	532,370
Construction in progress	<u>238,023</u>	<u>1,025,109</u>	<u>212,724</u>	<u>1,050,408</u>
Total capital assets, not being depreciated	<u>861,893</u>	<u>1,025,109</u>	<u>212,724</u>	<u>1,674,278</u>
Capital assets, being depreciated:				
Buildings	6,634,888	-	-	6,634,888
Building improvements	372,790	-	-	372,790
Land Improvements	46,237	-	-	46,237
Water and sewer systems	17,539,627	100,372	-	17,639,999
Machinery and equipment	<u>2,264,506</u>	<u>221,773</u>	<u>-</u>	<u>2,486,279</u>
Total capital assets being depreciated	<u>26,858,048</u>	<u>322,145</u>	<u>-</u>	<u>27,180,193</u>

# CITY OF MARYSVILLE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 5 - CAPITAL ASSETS – (cont'd):

	July 1, 2007 Balance, <u>Restated</u>	<u>Additions</u>	<u>Deletions</u>	June 30, 2008 <u>Balance</u>
Less accumulated depreciation for:				
Buildings	\$ 3,776,051	\$ 138,435	\$ -	\$ 3,914,486
Building improvements	283,923	15,864	21,841	277,946
Land Improvements	17,339	4,624	-	21,963
Water and sewer systems	4,485,452	355,766	-	4,841,218
Machinery and equipment	<u>1,412,662</u>	<u>142,385</u>	<u>(21,841)</u>	<u>1,576,888</u>
Total accumulated depreciation	<u>9,975,427</u>	<u>657,074</u>	<u>-</u>	<u>10,632,501</u>
Total capital assets being depreciated, net	<u>16,882,621</u>	<u>( 334,929)</u>	<u>-</u>	<u>16,547,692</u>
Total capital assets, net	<u>\$ 17,744,514</u>	<u>\$ 690,180</u>	<u>\$ 212,724</u>	<u>\$ 18,221,970</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 73,236
Public Safety	184,821
Public Works	1,354,467
Recreation and Cultural	<u>47,450</u>
Total depreciation expense-governmental activities	<u>\$ 1,659,974</u>
Business-type activities:	
Golf Commission	\$ 33,081
Water Fund	285,658
Sewer Fund	<u>338,335</u>
Total depreciation expense-business-type activities	<u>\$ 657,074</u>

In addition there was depreciation of \$125,847 in the Motor Pool Fund.

### NOTE 6 - PAYABLES:

Payables in the governmental and business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts payable/accrued liabilities	\$ 732,895	\$ 129,139
Accrued wages and fringe benefits	51,053	43,937
Due to fiduciary fund	<u>-</u>	<u>2,832</u>
	<u>\$ 783,948</u>	<u>\$ 175,908</u>

# CITY OF MARYSVILLE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 7 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:

The composition of interfund balances as of June 30, 2008:

#### Transfers From/To Other Funds –

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Major Streets Fund	Motor Vehicle Highway Fund	\$ 237,500 (5)
	Public Improvement Fund	18,500 (5)
Local Streets Fund	Major Streets Fund	200,000 (5)
	Motor Vehicle Highway Fund	260,000 (5)
	Public Improvement Fund	60,000 (5)
Motor Vehicle Highway	General Fund	606,226 (6)
Park and Recreation	General Fund	171,939 (6)
Public Improvement	General Fund	484,997 (6)
Building Authority Debt Fund	Motor Pool Fund	47,855 (7)
	Waste Water Fund	47,855 (7)
	Water Fund	47,855 (7)
	Building Authority Fund	71,144 (7)
Waste Water Fund	Public Improvement Fund	12,297 (5)
	Motor Vehicle Highway Fund	121,827 (5)
	GO Bond Fund	412,891 (5)
06 Debt Service	General Fund	70,117 (8)
	Wastewater Fund	116,862 (8)
Internal Service Fund	General Fund	10,546 (5)
		<u>\$ 2,998,411</u>



**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 7 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS – (cont'd):**

There were also transfers from governmental funds to the Pension Health Care Fund that has been recorded as employer contributions in the Fiduciary Funds as follows:

Fiduciary Funds		
Pension Health Care Fund	General Fund	\$ 400,000 (2)
	Motor Pool	<u>10,000 (2)</u>
Total Transfers		<u>\$ 410,000</u>

**Due To/From Other Funds –**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	GO Bond Fund	\$ 175,567 (1)
	City Employees Retirement	14,990 (1)
	1965 Police and Fire Retirement	12,867 (1)
	Golf Fund	89,174 (1)
	Water Fund	<u>7,230 (5)</u>
		<u>299,828</u>
Employees Vacation/Sick Fund	Golf Fund	<u>2,832</u>
		<u>\$ 302,660</u>

**Due To/From Primary Government & Component Units –**

General Fund	Housing Commission	\$ 24,231 (1)
	Local Development	
	Finance Authority No.2	<u>11,788 (3)</u>
		<u>36,019</u>
Industrial Improvement Fund	Local Development Finance Authority	<u>42,571 (3)</u>
		<u>\$ 78,590</u>

There is no corresponding liability since the Housing Commission is not included in these financial statements.

**Advance To/From Other Funds –**

General Fund	Golf Course	<u>\$ 222,835 (4)</u>
--------------	-------------	-----------------------

- (1) Reimbursement of costs
- (2) Transfer to Pension Health Care for Benefits
- (3) Loan to pay operating cost until capture of tax
- (4) Long-term advance to construct Maintenance Building
- (5) Transfer for Operations/Construction
- (6) Annual Appropriation
- (7) Transfer to Building Authority for rent
- (8) Transfer for Debt Retirement

# CITY OF MARYSVILLE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 8 - LONG-TERM DEBT:

#### PRIMARY GOVERNMENT -

The following is a summary of changes in the long-term debt (including current portions) for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
<u>Governmental Activities:</u>					
Governmental Fund -					
Building Authority Refunding Bonds	\$ 2,555,000	\$ -	\$ 120,000	\$ 2,435,000	\$ 120,000
2006 General Obligation Bond	3,500,000	-	-	3,500,000	50,000
Contingent Liability - Property Tax Tribunal Cases	400,000	100,000	-	500,000	-
	6,455,000	100,000	120,000	6,435,000	170,000
Deferred Amounts					
Refunding Loss	( 81,149)	-	( 6,242)	( 74,907)	( 6,242)
Bond Discount	( 52,500)	-	( 2,100)	( 50,400)	( 2,100)
	6,321,351	100,000	111,658	6,309,693	161,658
<u>Business Activities:</u>					
Enterprise Funds -					
Wastewater Fund -					
Michigan Municipal Bond Authority Wastewater Loans -					
Phase I 1993	930,000	-	120,000	810,000	125,000
Phase II 1996	2,370,000	-	195,000	2,175,000	195,000
Clean Water Program					
2003	2,350,000	-	105,000	2,245,000	105,000
Total Business Activities	5,650,000	-	420,000	5,230,000	425,000
<u>Fiduciary Activities:</u>					
Employee Vacation and Sick Pay	679,906	2,880	-	682,786	-
Total Entity Primary Government	\$ 12,651,257	\$ 102,880	\$ 531,658	\$ 12,222,479	\$ 568,658

Significant details regarding outstanding long-term debt (including current portions) are presented as follows:

#### Building Authority Bonds -

On February 17, 2005, the City issued \$2,680,000 General Obligation - limited tax refunding bonds to purchase U.S. Government, State and Local Service Securities that were placed in an irrevocable trust for the purpose of generating Resources for future debt services payments of \$3,225,000 of the 1996 Building Authority Bonds. As a result, the Refunding bonds have been removed from the City's financial statements. The reacquisition price was lower than the net carrying amount of the old debt by \$111,683. This amount is being capitalized and amortized over the remaining life of the refunding debt, which is the same as the life of the refunded debt. This advance refunding was undertaken to reduce the total debt service payments over 15 years and resulted in an economic loss of \$111,683. The bonds are due in annual installments ranging from \$120,000 to \$245,000 through October 2021, plus interest ranging from 2.500 to 4.375 percent, payable semi-annually

\$ 2,435,000

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 8 - LONG-TERM DEBT - (cont'd):**

On December 19, 2006, the City issued 2006 General Obligation capital improvements bonds. The bond is to be used in construction of various capital improvements. Principal and Interest will be payable from lawfully available monies of the City including ad valorem taxes, which may be levied in an amount sufficient to pay the annual obligations. The issuance of the 2006 G.O. Bonds resulted deferred Bond Discount in the amount of \$52,500 which will be amortized over the life of the bond. The bonds are due in annual installments ranging from \$50,000 to \$250,000 through October 2031, plus interest ranging from 3.75% to 4.05% payable semi-annually

\$ 3,500,000  
\$ 5,935,000

**Wastewater Fund Bonds/Loans –**

Michigan Municipal Bond Authority Wastewater Loans were obtained for the purpose of separating the City's sanitary and storm sewer system. The debt and related interest is being repaid through operating revenues of the wastewater fund.

The Phase I loan in the original amount of \$2,375,181 is due in annual installments ranging from \$30,000 to \$135,000 through October 1, 2014, plus interest of 2.0 percent, payable semi-annually

\$ 810,000

The Phase II loan in the original amount of \$3,950,000 is due in annual installments ranging from \$195,000 to \$240,000 through October 1, 2018, plus interest of 2.25 percent, payable semi-annually

2,175,000

The Clean Water Program Loan for the purpose of eliminating discharge into the St. Clair River in the original amount of \$2,550,000 is due in annual installments ranging from \$105,000 to \$160,000 through October 1, 2024, plus interest of 2.50% payable semi-annually

2,245,000  
\$ 5,230,000

**Compensated Absences –**

In accordance with contracts negotiated with various employee groups of the City of Marysville, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. The amount of these benefits has been fully funded in the Employee's Vacation and Sick Pay Fund.

# CITY OF MARYSVILLE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 8 - LONG-TERM DEBT - (cont'd):

The annual debt service requirements to maturities for the long-term obligations outstanding at June 30, 2008 (excluding vacation and sick) and the Clean Water Program loan since the full amount of the loan has not been drawn and a repayment schedule determined) are as follows:

Year Ending June 30,	Municipal Bond Authority Loans		Building Authority Bonds		Clean Water Bonds		2006 GO Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	320,000	61,694	120,000	91,034	105,000	54,748	50,000	138,462
2010	325,000	54,750	145,000	87,059	110,000	52,061	50,000	136,587
2011	335,000	47,644	140,000	82,608	115,000	49,248	50,000	134,713
2012	340,000	40,375	140,000	77,883	115,000	46,373	50,000	132,837
2013	350,000	32,944	160,000	72,713	120,000	43,436	50,000	130,963
2014-2018	1,315,000	68,063	865,000	268,665	640,000	170,554	500,000	601,600
2019-2023	-	-	865,000	77,451	725,000	85,117	750,000	476,875
2024-2028	-	-	-	-	315,000	7,841	1,000,000	301,875
2029-2033	-	-	-	-	-	-	1,000,000	80,939
	<u>\$ 2,985,000</u>	<u>\$ 305,470</u>	<u>\$ 2,435,000</u>	<u>\$ 757,413</u>	<u>\$ 2,245,000</u>	<u>\$ 509,378</u>	<u>\$ 3,500,000</u>	<u>\$ 2,134,852</u>

### COMPONENT UNITS -

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Due Within One Year
Local Development Finance Authority					
Land Contracts	\$ 303,291	\$ -	\$ 32,867	\$ 270,424	\$ 34,549
Promissory Note	<u>3,048,294</u>	<u>133,123</u>	<u>-</u>	<u>3,181,417</u>	<u>-</u>
	<u>\$ 3,351,585</u>	<u>\$ 133,123</u>	<u>\$ 32,867</u>	<u>\$ 3,451,841</u>	<u>\$ 34,549</u>

The Local Development Finance Authority – District No. 1 purchased property and issued a note for \$371,512 that will be repaid in monthly installments of \$3,940, including interest of 5% through April 4, 2015. The outstanding balance of June 30, 2008 was \$270,424.

On May 31, 2007, the City issued a promissory note in amount of \$3,500,000. The funds borrowed from Citizens First Bank were borrowed by the City to advance Marysville Local Development Finance Authority - District No. 2 (LDFA) which in turn used the funds to acquire and install infrastructure for the industrial development for the Chrysler Plant. The funds are subject to and will be repaid by LDFA pursuant to a repayment agreement between the LDFA and the City. The promissory note and interest are payable on May 31, 2012 with effective interest rate of 4.08%. The outstanding balance of the note as of June 30, 2008 was \$3,181,417.

# **CITY OF MARYSVILLE, MICHIGAN**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008**

### **NOTE 9 - RETIREMENT PLANS:**

The City has three single employee defined benefit retirement plans covering substantially all employees as follows:

General City Employees Retirement System  
Police Officers and Firefighters Retirement System – 1940 Plan  
Police Officers and Firefighters Retirement System – 1965 Plan

#### **Plan Descriptions**

##### *General City Employee Retirement System -*

General City Employees Retirement System – was established by City Council in 1945 for the purpose of continuing and providing retirement income to certain employees and retired employees and survivor benefits to their eligible beneficiaries. The system is administered, managed and operated by a five (5) member board of trustees, which is composed of the Mayor of the City of Marysville, one (1) council member selected by the City Council, a citizen who is not a member and two (2) members of the retirement system.

The membership at July 1, 2007 was comprised of 45 active participants, 47 retirees and beneficiaries, and 7 other inactive participants.

In general, all employees are eligible for retirement on attainment of age 60 or 62 with 5 years of service or age 55 with 25 years of service. The annual normal pension payable is equal to 2.25% of final average compensation multiplied by the number of years of credited service.

##### *Police Officers and Firefighters System – 1940 Plan –*

The Police Officers and Firefighters Retirement System – 1940 Plan was established by City Charter in 1940 to provide retirement for police and firefighters and their beneficiaries with twenty-five (25) years of service. In general any member who retired is entitled to one-half of the pay of the rank in which such member was serving at the time of retirement, and in the event of change of rank at any time thereafter, in said rate of pay, then at the rate of one-half of the pay of said rank so changed.

The plan was superseded by the 1964 plan and as of June 30, 2008 there was only one (1) retiree (beneficiary) receiving benefits.

##### *Police Officers and Firefighters Retirement System – 1964 Plan -*

The Police Officers and Firefighters Retirement System – 1965 Plan was established by City Charter in 1965 for the purpose of providing pensions for Police Officers and Firefighters who retire on account of superannuation or total and permanent disability, and to provide survivor pensions to certain dependents. The system is administered, managed and operated by a five (5) member board of trustees, which is comprised of the Mayor or his appointee (must be a Council member) one (1) council member selected by the City Council, a citizens who is not a member, one (1) police officer member and one (1) firefighter member.

The membership at July 1, 2007 was comprised of 24 active participants, and 28 retirees and beneficiaries.

# CITY OF MARYSVILLE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 9 - RETIREMENT PLANS – (cont'd):

In general all employees are eligible for normal retirement on attainment of age 55 and 5 years of service. The annual normal pension payable is equal to 2.5% for final salary multiplied by the number of years of credited service, subject to a maximum of 25 years, plus 2% of final average salary multiplied by the number of years of credited service in excess of 25 years.

#### Summary of Significant Accounting Policy

##### *Basis of Accounting -*

The plans utilize the accrual basis of accounting and is reported within the City's reporting entity as separate Pension Trust Funds. Contributions from employees are recognized as revenues in the period in which employees provide the services.

##### *Method Used to Value Investments -*

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

#### Contributions and Funding Policy

Participants of the General City Employees Retirement System and the Police Officers and Fire Retirement System – 1965 plan contribute 5% of compensation with the remaining amount contributed by the City based on a actuarially determined amounts. There is no member contribution for the Police Officers and Firefighters Retirement System – 1940 plan. The City contributes to this plan on a pay as you go method.

##### *General City Employee Retirement System -*

For fiscal 2008, the actuarially determined contribution was \$340,030 (16.05% of covered payroll).

The required contribution was determined as part of the July 1, 2007 actual valuation using the actuarial cost method. The actual assumptions include (a) a rate of return of 8.0% (b) projected salary increases of 4.00% per year, and (c) the 1989 Buck Mortality Table.

#### Schedule of Employer Contribution

Fiscal Year Ending June 30, 2008	Annual Pension Costs (APC)	Percentage of APC Contribution	Net Pension Obligation
2006	\$ 402,441	100 %	-
2007	431,758	100	-
2008	340,030	100	-

#### Schedule of Funding Progress

Valuation Date	Actuarial Value of of Assets (a)	Unfunded Actuarial Accrued Liability (AAL) Entry Age (b)	(Overfunded) Accrued Liability (UAAL) (b-a)	UAAL Funded Ratio (AAL) (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
2005	\$ 17,857,731	\$ 19,593,933	\$ 1,736,202	91.14	\$ 2,153,245	80.63
2006	18,783,632	20,814,117	2,030,485	90.24	2,278,405	89.12
2007	20,043,092	21,644,008	1,600,916	92.60	2,118,567	75.57

# CITY OF MARYSVILLE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 9 - RETIREMENT PLANS – (cont'd):

#### *Police Officers and Firefighters Retirement System – 1964 Plan –*

For fiscal 2008, the actuarially determined contribution was \$468,500 (27.61% of covered payroll).

The required contribution was determined as part of the July 1, 2007 actual valuation using the actuarial cost method. The actual assumptions include (a) a rate of return of 8.0% (b) projected salary increases of 4.0% to 7.0 % per year, and (c) the RP 2000 Healthy Annuitant Mortality Table.

#### Schedule of Employer Contributions

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2006	\$ 536,961	100 %
2007	491,802	100
2008	468,500	100

#### Schedule of Funding Progress

<u>Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Unfunded Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>(Overfunded) Accrued Liability (UAAL) (b-a)</u>	<u>UAAL Funded Ratio (AAL) (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll (b-a)/(c)</u>
2005	\$ 15,015,228	\$ 18,728,091	\$ 3,712,863	80.18	\$ 1,639,076	226.52
2006	15,544,392	19,612,395	4,068,003	79.27	1,742,742	233.43
2007	16,359,155	19,810,294	3,451,139	82.58	1,696,850	203.39

#### *Police Officers and Firefighters Retirement System – 1940 Plan -*

#### Schedule of Employer Contributions

<u>Year Ended June 30,</u>	<u>Annual Contribution</u>
2006	35,800
2007	38,800
2008	39,750

### NOTE 10 - POST RETIREMENT BENEFITS:

The City provides health and life insurance benefits to most of the retirees in Note 9. The City funds the benefits on the pay-as-you-go method, which amounted to \$908,406 for fiscal 2008. In addition, the City has established a Pension Health Care Fund to accumulate resources to fund a portion of the unfunded benefit. An actuarial report is commissioned by the City Council at least once every five years to see the City's progress in funding the benefit.

# CITY OF MARYSVILLE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 11 - DEFERRED COMPENSATION:

The City offers their employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

A trust, custodial account or annuity contract exists, assets are owned or held by the trust, custodian or insurer for the exclusive benefit of participants and beneficiaries, and are not subject to the claims of public employer creditors nor can they be used by the public employer for any purpose other than the payment of benefits to those individuals participating in the plan or their designated beneficiaries.

### NOTE 12 - FUND EQUITY:

#### RESERVED FUND BALANCE -

Fund Balance has been reserved in various governmental funds to indicate the portion of Fund Balance not available but reserved for a specific purpose. The following is a summary of Reserved Fund Balance at June 30, 2008:

<u>Fund Type/Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	Fire	\$ 21,008
	Historical	113
	DARE	13,060
	Bike Rodeo	337
	Donations	549
	Library	21,826
	Construction	39,980
	Advance to Other Funds	222,835
	Prepaid Expense	<u>87,913</u>
		<u>407,621</u>
2006 Construction		<u>2,900,815</u>
Nonmajor Funds		
Major Street	Prepaid Expenses	3,132
Local Street	Prepaid Expenses	6,861
Parks and Recreation	Prepaid Expenses	4,643
Motor Vehicle Highway	Capital Projects	1,104,546
Building Authority	Capital Projects	416,652
Cemetery Perpetual Care	Perpetual Care	<u>389,317</u>
		<u>1,925,151</u>
		<u>\$ 5,233,587</u>



# CITY OF MARYSVILLE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 12 - FUND EQUITY – (cont'd):

#### DESIGNATED FUND BALANCE -

The City Council has the power to designate, or set aside, all or a portion of the unreserved Fund Balance for specified purpose. The following is a summary of designated fund balance at June 30, 2008:

<u>Fund Type/Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	EMS Equipment	\$ 978,141
	New Equipment	30,000
	Building Improvements	203,850
	Industrial/Commercial Development	17,618
	Potential Tax Abatement	1,052,000
	Fringe Benefits	<u>500,000</u>
		<u>2,781,609</u>
2006 GO Bond Fund	Debt Payments	<u>6,970</u>
		<u>\$ 2,788,579</u>

#### Retained Earnings –

The City has designated, or set aside, a portion of the unreserved retained earnings for specific purposes. The following is a summary of the designated retained earnings at June 30, 2008:

<u>Fund Type/Fund</u>	<u>Description</u>	<u>Amount</u>
Wastewater Fund	Fringe Benefits	\$ 213,789
Water Fund	Fringe Benefits	288,000
Golf Course Fund	Fringe Benefits	<u>50,000</u>
		551,789
Motor Pool Fund	Refuse Truck	<u>146,000</u>
		<u>\$ 697,739</u>

### NOTE 13 - RISK MANAGEMENT:

#### General Liability and Property

The City participates in the Michigan Municipal League Liability and Property Pool insurance plan. In general the City carries \$10,000,000 of liability coverage and approximately \$34,162,000 of property insurance with a \$1,000 per claim deductible on property and \$0 on liability.

#### Workers Compensation

The City participates in the Michigan Municipal Workers' Compensation Self-Insurance Fund administered by the Michigan Municipal League. The fund provides coverage of workers compensation claims subjected to a maximum of \$500,000 per occurrence.

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 13 - RISK MANAGEMENT (cont'd):**

**Health Insurance/Pharmacy Charges**

Effective September 2005, the City became self-insured for health care benefits with the administered services of the program being performed on a contracted basis by a third party. The City pays claims up to \$15,000 per contract, per year. Stop loss insurance has been purchased to insure the City against losses in excess of these limits. Based on past history, the City has estimated the accrual health care claims, including an estimate for claims incurred but not reported (IBNR) of \$239,877, which is recorded as a current liability in the various funds. Total claims and administrative fees paid for the year ended June 30, 2008 was \$1,115,988.

Effective November 1, 2005, the City is self-insured for Pharmacy Charges with the administrative services of the program being performed on a contractual basis by a third party. There was not significant accrued claims, including an estimate for claims incurred but not reported (IBNR) at June 30, 2008. Total claims and administrative fees paid for the year ended June 30, 2008 was \$542,841.

**NOTE 14 - CONTINGENT LIABILITIES:**

Currently there are a few City taxpayers appealing their real and personal property tax assessments that could have an impact on the City's revenues. The largest of these taxpayers, the Detroit Edison, is appealing its tax assessment on the Edison plant located in the City for the 2003-2007 tax levies. In addition, the Detroit Edison is appealing the personal property tax assessment on the DTE Oil Terminal for 2003-2007 (Some of these tax payers are also appealing their 2008 tax assessment that was billed on July 1, 2008). Should these taxpayers all prevail the City would be required to refund approximately \$1,052,000. The City intends to vigorously defend these matters. The City has designated the \$1,052,000 in the general fund and recorded a liability of \$500,000 in the entity-wide financial statements should the taxpayers prevail.

**NOTE 15 - PRIOR PERIOD ADJUSTMENT:**

It was determined that certain assets that were capitalized in the governmental activities in 2007 directly benefited the waste water system. Therefore, a prior period adjustment was made to transfer the cost, \$109,964, from governmental activities to the respective business-type activity.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MARYSVILLE, MICHIGAN**

**REQUIRED SUPPLEMENTARY INFORMATION  
EMPLOYEE RETIREMENT SYSTEM**

**GENERAL CITY EMPLOYEES RETIREMENT SYSTEM**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/98	13,686,707	12,734,370	( 952,337)	107.48%	1,916,506	-49.69%
07/01/99	15,648,850	14,034,351	( 1,614,499)	111.50%	1,975,246	-81.74%
07/01/00	16,941,119	15,032,094	( 1,909,025)	112.70%	1,994,771	-95.70%
07/01/01	17,335,570	16,242,162	( 1,093,408)	106.73%	2,108,013	-51.87%
07/01/02	17,040,860	16,746,879	( 293,981)	101.76%	2,252,770	-13.05%
07/01/03	16,803,758	17,831,503	1,027,745	94.24%	2,300,897	44.67%
07/01/04	17,172,124	18,776,905	1,604,781	91.45%	2,289,952	70.08%
07/01/05	17,857,731	19,593,933	1,736,202	91.14%	2,153,245	80.63%
07/01/06	18,783,632	20,814,117	2,030,485	90.24%	2,278,405	89.12%
07/01/07	20,043,092	21,644,008	1,600,916	92.60%	2,118,567	75.57%

**Schedule of Employer Contributions**

Year Ended 30-Jun	Annual Required Contributions	Percentage Contributed
1999	58,044	186.30%
2000	-	100.00%
2001	-	100.00%
2002	30,650	100.00%
2003	153,461	100.00%
2004	365,510	100.00%
2005	366,690	100.00%
2006	402,441	100.00%
2007	431,758	100.00%
2008	340,030	100.00%

# CITY OF MARYSVILLE, MICHIGAN

## REQUIRED SUPPLEMENTARY INFORMATION EMPLOYEE RETIREMENT SYSTEM

### POLICE OFFICERS AND FIREFIGHTERS RETIREMENT SYSTEM

#### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/98	12,788,100	10,635,002	( 2,153,098)	120.25%	1,303,449	-165.18%
07/01/99	14,447,397	11,899,712	( 2,547,685)	121.41%	1,405,018	-181.33%
07/01/00	15,473,531	13,310,991	( 2,162,540)	116.25%	1,436,920	-150.50%
07/01/01	15,580,355	14,246,713	( 1,333,642)	109.36%	1,682,405	-79.27%
07/01/02	15,052,172	14,574,723	( 477,449)	103.28%	1,645,893	-29.01%
07/01/03	14,578,126	15,195,489	617,363	95.94%	1,733,318	35.62%
07/01/04	14,683,776	18,025,358	3,341,582	81.46%	1,602,030	208.58%
07/01/05	15,015,228	18,728,091	3,712,863	80.18%	1,639,076	226.52%
07/01/06	15,544,392	19,612,395	4,068,003	79.27%	1,742,742	233.43%
07/01/07	16,359,155	19,810,294	3,451,139	82.58%	1,696,850	203.39%

#### Schedule of Employer Contributions

Year Ended 30-Jun	Annual Required Contributions	Percentage Contributed
1999	-	100.00%
2000	-	100.00%
2001	-	100.00%
2002	-	100.00%
2003	130,371	100.00%
2004	289,907	100.00%
2005	492,784	100.00%
2006	536,961	100.00%
2007	491,802	100.00%
2008	468,500	100.00%

**CITY OF MARYSVILLE, MICHIGAN**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 6,835,001	\$ 7,067,425	\$ 232,424
Licenses and permits	240,000	354,770	114,770
Intergovernmental -			
Federal/State	1,043,300	1,056,282	12,982
Charges for services	251,046	238,602	( 12,444)
Fines and forfeits	26,000	23,243	( 2,757)
Interest and rents	217,641	388,595	170,954
Other	30,000	172,130	142,130
	<u>8,642,988</u>	<u>9,301,047</u>	<u>658,059</u>
<b>Expenditures:</b>			
General Government -			
Legislative	24,183	21,860	2,323
Elections	14,000	-	14,000
City Manager	197,734	186,322	11,412
City Assessor/Clerk/Treasurer	326,372	294,234	32,138
Board of Review	2,963	2,480	483
Cemetery	103,869	106,513	( 2,644)
Community Development	122,009	88,550	33,459
General administration	402,031	259,640	142,391
	<u>1,193,161</u>	<u>959,599</u>	<u>233,562</u>
Less: Reimbursement from other funds	<u>( 252,663)</u>	<u>( 264,330)</u>	<u>11,667</u>
Total General Government	<u>940,498</u>	<u>695,269</u>	<u>245,229</u>
Public Safety -			
Fire department	1,319,989	1,298,851	21,138
Police department	1,799,964	1,737,169	62,795
Emergency management	18,400	17,516	884
Building Inspections	203,103	178,747	24,356
	<u>3,341,456</u>	<u>3,232,283</u>	<u>109,173</u>
Public Works -			
Department of public works	939,056	867,001	72,055
Street lighting	219,000	209,635	9,365
Dial-A-Ride	130,000	142,902	( 12,902)
Sanitation	460,000	459,468	532
	<u>1,748,056</u>	<u>1,679,006</u>	<u>69,050</u>

**CITY OF MARYSVILLE, MICHIGAN**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
Recreational and Cultural-			
Parks	\$ 191,648	\$ 235,208	\$ ( 43,560)
Beautification committee	19,890	15,593	4,297
Library	29,697	12,204	17,493
Historical commission	35,545	18,252	17,293
	<u>276,780</u>	<u>281,257</u>	<u>(4,477)</u>
Other	<u>1,201,688</u>	<u>1,177,466</u>	<u>24,222</u>
Capital Outlay	<u>76,310</u>	<u>59,026</u>	<u>17,284</u>
Total Expenditures	<u>7,584,788</u>	<u>7,124,307</u>	<u>460,481</u>
Revenues over expenditures	<u>1,058,200</u>	<u>2,176,740</u>	<u>1,118,540</u>
<b>Other Financing Sources (Uses):</b>			
Transfer Out-			
Public Improvement	( 484,997)	( 484,997)	-
Motor vehicle Highway	( 606,226)	( 606,226)	-
Recreation	( 227,678)	( 171,939)	55,739
Retiree Health	-	( 400,000)	( 400,000)
2006 GO Bond Debt	-	( 70,117)	( 70,117)
Internal service	-	( 10,546)	( 10,546)
	<u>( 1,318,901)</u>	<u>( 1,743,825)</u>	<u>( 424,924)</u>
Net Change in Fund Balance	( 260,701)	432,915	693,616
Fund Balance at beginning of year	<u>4,857,335</u>	<u>4,857,335</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 4,596,634</u>	<u>\$ 5,290,250</u>	<u>\$ 693,616</u>

Note: The original budget adopted by the City Council included certain health benefits under the "other" function. However to more accurately report the cost of each department certain benefit costs were charged to the individual departments throughout the year. Therefore the above budget has been allocated to the individual department to correlate to areas where the costs were reported.

## **SUPPLEMENTARY INFORMATION**



**CITY OF MARYSVILLE, MICHIGAN**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2008**

Special Revenue Funds

	<u>Major Street</u>	<u>Local Street</u>	<u>Drug Law Enforcement</u>	<u>Public Improvement</u>	<u>Industrial Development</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 98,489	\$ 340,625	\$ 6,099	\$ 455,959	\$ 90,814
Investments	208,387	-	-	520,155	207,901
Receivables -					
Property Taxes	-	-	-	477	-
Accounts and interest	2,555	5,842	-	5,825	2,323
Special Assessments	-	-	-	2,677	-
Due from other governmental units -					
Federal/State	69,453	27,763	-	-	-
Local	-	-	-	-	-
Due from component unit	-	-	-	-	42,571
Prepaid expenditures and deposits	3,132	6,861	-	-	-
	<u>3,132</u>	<u>6,861</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 382,016</u>	<u>\$ 381,091</u>	<u>\$ 6,099</u>	<u>\$ 985,093</u>	<u>\$ 343,609</u>

**LIABILITIES AND FUND BALANCE**

**Liabilities:**

Accounts payable	\$ 977	\$ 4,439	\$ -	\$ 24,581	\$ -
Accrued liabilities	2,150	1,675	-	-	-
Deferred revenue	-	-	-	3,154	-
Total Liabilities	<u>3,127</u>	<u>6,114</u>	<u>-</u>	<u>27,735</u>	<u>-</u>

**Fund Balance:**

Reserved -					
Prepaid	3,132	6,861	-	-	-
Capital Projects	-	-	-	-	-
Permanent Fund					
Expendable	-	-	-	-	-
Nonexpendable	-	-	-	-	-
Unreserved -					
Designated-					
Debt Services	-	-	-	-	-
Undesignated	375,757	368,116	6,099	957,358	343,609
Total Fund Balance	<u>378,889</u>	<u>374,977</u>	<u>6,099</u>	<u>957,358</u>	<u>343,609</u>

Total Liabilities and Fund Balance	<u>\$ 382,016</u>	<u>\$ 381,091</u>	<u>\$ 6,099</u>	<u>\$ 985,093</u>	<u>\$ 343,609</u>
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	Debt Service Funds		Capital Projects Funds		Permanent Fund	
Parks and Recreation	Building Authority	2006 GO Bond	Building Authority	Motor Vehicle Highway	Cemetery Perpetual Care	Total
\$ 193,328	\$ -	\$ 6,970	\$ 112,786	\$ 338,064	\$ 128,243	\$ 1,771,377
-	-	-	300,507	406,759	258,188	1,901,897
-	-	-	-	596	-	1,073
11,166	-	-	3,359	4,556	2,886	38,512
-	-	-	-	-	-	2,677
-	-	-	-	377,000	-	474,216
41,990	-	-	-	-	-	41,990
-	-	-	-	-	-	42,571
4,643	-	-	-	-	-	14,636
<u>\$ 251,127</u>	<u>\$ -</u>	<u>\$ 6,970</u>	<u>\$ 416,652</u>	<u>\$ 1,126,975</u>	<u>\$ 389,317</u>	<u>\$ 4,288,949</u>
\$ 124,205	\$ -	\$ -	\$ -	\$ 21,833	\$ -	\$ 176,035
11,173	-	-	-	-	-	14,998
-	-	-	-	596	-	3,750
<u>135,378</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,429</u>	<u>-</u>	<u>194,783</u>
4,643	-	-	-	-	-	14,636
-	-	-	416,652	1,104,546	-	1,521,198
-	-	-	-	-	168,417	168,417
-	-	-	-	-	220,900	220,900
-	-	6,970	-	-	-	6,970
111,106	-	-	-	-	-	2,162,045
<u>115,749</u>	<u>-</u>	<u>6,970</u>	<u>416,652</u>	<u>1,104,546</u>	<u>389,317</u>	<u>4,094,166</u>
<u>\$ 251,127</u>	<u>\$ -</u>	<u>\$ 6,970</u>	<u>\$ 416,652</u>	<u>\$ 1,126,975</u>	<u>\$ 389,317</u>	<u>\$ 4,288,949</u>

# CITY OF MARYSVILLE, MICHIGAN

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue Funds				
	Major Street	Local Street	Drug Law Enforcement	Public Improvement	Industrial Development
<b>Revenues:</b>					
Taxes	\$ -	\$ -	\$ -	\$ 5,037	\$ -
Intergovernmental -					
Federal/State	424,064	197,479	-	-	-
Local	-	-	-	-	-
Interest and rent	20,154	12,411	202	45,577	13,438
Special assessment	-	-	-	2,998	-
Other	6,767	10,164	3,418	516	-
Total Revenues	<u>450,985</u>	<u>220,054</u>	<u>3,620</u>	<u>54,128</u>	<u>13,438</u>
<b>Expenditures:</b>					
Current -					
Public Safety	-	-	1,912	-	-
Public Works	287,402	508,540	-	22,438	1,851
Recreation and Cultural	-	-	-	-	-
Capital outlay	-	-	-	178,506	-
Debit service					
Principal	-	-	-	-	-
Interest and charges	-	-	-	-	-
Total Expenditures	<u>287,402</u>	<u>508,540</u>	<u>1,912</u>	<u>200,944</u>	<u>1,851</u>
Revenues over (under) expenditures	<u>163,583</u>	<u>( 288,486)</u>	<u>1,708</u>	<u>( 146,816)</u>	<u>11,587</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	256,000	520,000	-	484,997	-
Transfers out	( 200,000)	-	-	( 90,797)	-
Total Other Financing Sources (Uses)	<u>56,000</u>	<u>520,000</u>	<u>-</u>	<u>394,200</u>	<u>-</u>
Net Change in Fund Balances	219,583	231,514	1,708	247,384	11,587
Fund Balances at beginning of year	<u>159,306</u>	<u>143,463</u>	<u>4,391</u>	<u>709,974</u>	<u>332,022</u>
Fund Balances at end of year	<u>\$ 378,889</u>	<u>\$ 374,977</u>	<u>\$ 6,099</u>	<u>\$ 957,358</u>	<u>\$ 343,609</u>

	Debt Service Funds		Capital Projects Funds		Permanent Fund	
					Cemetery	
Parks and Recreation	Building Authority	2006 GO Bond	Building Authority	Motor Vehicle Highway	Perpetual Care	Total
\$ -	\$ -	\$ -	\$ -	\$ 6,296	\$ -	\$ 11,333
-	-	-	-	197,877	-	819,420
41,990	-	-	-	-	-	41,990
12,157	-	-	24,469	45,763	18,381	192,552
-	-	-	-	-	-	2,998
60,488	-	-	-	-	7,150	88,503
114,635	-	-	24,469	249,936	25,531	1,156,796
-	-	-	-	-	-	1,912
-	-	-	19,848	42,625	32	882,736
260,408	-	-	-	-	-	260,408
145,793	-	-	-	326,257	-	650,556
-	120,000	-	-	-	-	120,000
-	94,709	186,979	-	-	-	281,688
406,201	214,709	186,979	19,848	368,882	32	2,197,300
( 291,566)	( 214,709)	( 186,979)	4,621	( 118,946)	25,499	( 1,040,504)
171,939	214,709	186,979	-	606,226	-	2,440,850
-	-	-	( 71,144)	( 619,327)	-	( 981,268)
171,939	214,709	186,979	( 71,144)	( 13,101)	-	1,459,582
( 119,627)	-	-	( 66,523)	( 132,047)	25,499	419,078
235,376	-	6,970	483,175	1,236,593	363,818	3,675,088
\$ 115,749	\$ -	\$ 6,970	\$ 416,652	\$ 1,104,546	\$ 389,317	\$ 4,094,166

**CITY OF MARYSVILLE, MICHIGAN**

**MAJOR STREET FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
State -			
Act 51	\$ 430,000	\$ 424,064	\$( 5,936)
Interest	8,000	20,154	12,154
Other	4,500	6,767	2,267
Total Revenues	442,500	450,985	8,485
<b>Expenditures:</b>			
Public Works-			
Routine maintenance	132,518	144,202	( 11,684)
Traffic services maintenance	31,330	16,731	14,599
Winter maintenance	70,512	85,847	( 15,335)
Administration/engineering	29,941	26,758	3,183
Construction	215,000	13,864	201,136
Total Expenditures	479,301	287,402	191,899
Revenues over (under) expenditures	( 36,801)	163,583	200,384
<b>Other Financing Sources (Uses):</b>			
Transfers in	256,000	256,000	-
Transfers out	( 200,000)	( 200,000)	-
	56,000	56,000	-
Net Change in Fund Balance	19,199	219,583	200,384
Fund Balance at beginning of year	159,306	159,306	-
Fund Balance at end of year	\$ 178,505	\$ 378,889	\$ 200,384

**CITY OF MARYSVILLE, MICHIGAN**

**LOCAL STREET FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
State -			
Act 51	\$ 168,000	\$ 169,430	\$ 1,430
Maintenance	28,000	28,049	49
Interest	1,500	12,411	10,911
Other	1,000	10,164	9,164
Total Revenues	198,500	220,054	21,554
<b>Expenditures:</b>			
Public Works-			
Routine maintenance	410,011	296,368	113,643
Traffic services maintenance	32,112	20,745	11,367
Winter maintenance	126,875	157,710	( 30,835)
Administration/engineering	45,035	33,717	11,318
Construction	35,000	-	35,000
Total Expenditures	649,033	508,540	140,493
Revenues under expenditures	( 450,533)	( 288,486)	162,047
<b>Other Financing Sources:</b>			
Transfers in	510,000	520,000	( 10,000)
Net Change in Fund Balance	59,467	231,514	152,047
Fund Balance at beginning of year	143,463	143,463	-
Fund Balance at end of year	\$ 202,930	\$ 374,977	\$ 152,047

**CITY OF MARYSVILLE, MICHIGAN**

**DRUG -LAW ENFORCEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Interest	450	202	( 248)
Other	4,500	3,418	( 1,082)
Total Revenues	4,950	3,620	( 1,330)
<b>Expenditures:</b>			
Public Safety-			
Other	5,000	1,912	3,088
Net Change in Fund Balance	( 50)	1,708	1,758
Fund Balance at beginning of year	4,391	4,391	-
Fund Balance at end of year	\$ 4,341	\$ 6,099	\$ 1,758

**CITY OF MARYSVILLE, MICHIGAN**

**PUBLIC IMPROVEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Property taxes	\$ -	\$ 5,037	\$ 5,037
Intergovernmental - Federal	120,000	-	( 120,000)
Interest	5,000	45,577	40,577
Special assessment	6,882	2,998	( 3,884)
Other	-	516	516
Total Revenues	131,882	54,128	( 77,754)
<b>Expenditures:</b>			
Public Works-			
Accounting Fees	6,684	6,439	245
Contracted Services	16,052	15,999	53
Capital outlay	680,000	178,506	501,494
Total Expenditures	702,736	200,944	501,792
Revenues over (under) expenditures	( 570,854)	( 146,816)	424,038
<b>Other Financing Sources (Uses):</b>			
Transfers in	484,997	484,997	-
Transfers out	( 78,500)	( 90,797)	( 12,297)
	406,497	394,200	( 12,297)
Net Change in Fund Balance	( 164,357)	247,384	411,741
Fund Balance at beginning of year	709,974	709,974	-
Fund Balance at end of year	\$ 545,617	\$ 957,358	\$ 411,741



**CITY OF MARYSVILLE, MICHIGAN**

**INDUSTRIAL DEVELOPMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Interest	\$ 3,500	\$ 13,438	\$ 9,938
<b>Expenditures:</b>			
Public Works - Professional fees	900	1,851	( 951)
Revenues over expenditures	2,600	11,587	8,987
<b>Other Financing Sources:</b>			
Transfers in	3,109	-	( 3,109)
Net Change in Fund Balance	5,709	11,587	5,878
Fund Balance at beginning of year	332,022	332,022	-
Fund Balance at end of year	<u>\$ 337,731</u>	<u>\$ 343,609</u>	<u>\$ 5,878</u>

**CITY OF MARYSVILLE, MICHIGAN**

**RECREATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	Original/ Final Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>			
County park millage	\$ 40,000	\$ 41,990	\$ 1,990
Interest	4,000	12,157	8,157
Other	30,890	60,488	29,598
Total Revenues	74,890	114,635	39,745
<b>Expenditures:</b>			
Recreation and culture-			
Salaries and wages	66,486	65,497	989
Fringe benefits	53,954	39,601	14,353
Materials and supplies	7,010	6,855	155
Program expense	123,000	132,363	( 9,363)
Travel	1,500	2,033	( 533)
Insurance	5,250	2,515	2,735
Contracted services	533	439	94
Maintenance	12,800	7,482	5,318
Miscellaneous	4,850	3,623	1,227
Capital outlay	240,000	145,793	94,207
Total Expenditures	515,383	406,201	109,182
Revenues under expenditures	( 440,493)	( 291,566)	148,927
<b>Other Financing Sources:</b>			
Transfers in	227,678	171,939	( 55,739)
Net Change in Fund Balance	( 212,815)	( 119,627)	93,188
Fund Balance at beginning of year	235,376	235,376	-
Fund Balance at end of year	\$ 22,561	\$ 115,749	\$ 93,188

## **FIDUCIARY FUNDS**

# CITY OF MARYSVILLE, MICHIGAN

## COMBINING STATEMENT OF FIDUCIARY NET ASSETS PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUND JUNE 30, 2008

	Employee Retirement Systems			Pension
	Police and Firemen		Other City	Health
	1940 Plan	1965 Plan	Employees	Care
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 958	\$ 5,194	\$ 3,637	\$ 676,764
Investments, at fair value				
Marketable CD's	-	-	-	326,062
U.S. government securities	-	-	-	6,730,075
Convertible securities	-	1,456,774	767,525	53,362
Corporate bonds	-	-	-	3,025,009
Foreign bonds	-	57,800	57,799	-
Mutual funds	-	10,117,316	13,636,594	-
Stocks	-	3,303,392	4,129,895	-
Total Investments	-	14,935,282	18,591,813	10,134,508
Receivables -				
Interest and dividends	-	8,858	8,864	109,634
Due from other funds	-	-	-	-
Total Assets	958	14,949,334	18,604,314	10,920,906
<b>LIABILITIES:</b>				
Accrued liabilities	-	124,163	781	-
Due to other funds	-	12,867	14,990	-
	-	137,030	15,771	-
<b>NET ASSETS:</b>				
Net assets held in trust for pension benefits	\$ 958	\$ 14,812,304	\$ 18,588,543	\$ 10,920,906

Employees Vacation/ Sick Pay	Total
<u>\$ 69,581</u>	<u>\$ 756,134</u>
74,766	400,828
527,491	7,257,566
1,362	2,279,023
-	3,025,009
-	115,599
-	23,753,910
<u>-</u>	<u>7,433,287</u>
603,619	44,265,222
6,754	134,110
<u>2,832</u>	<u>2,832</u>
<u>682,786</u>	<u>45,158,298</u>
682,786	807,730
-	27,857
<u>682,786</u>	<u>835,587</u>
<u><u>\$ -</u></u>	<u><u>\$ 44,322,711</u></u>

# CITY OF MARYSVILLE, MICHIGAN

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUND FOR THE YEAR ENDED JUNE 30, 2008

	Employee Retirement Systems			Pension
	Police and Firemen		Other City	Health
	1940 Plan	1965 Plan	Employees	Care
<b>Additions:</b>				
Contributions				
Member contributions	\$ -	\$ 92,957	\$ 120,160	\$ -
Employer contributions	39,750	738,286	986,733	410,000
Total Contributions	<u>39,750</u>	<u>831,243</u>	<u>1,106,893</u>	<u>410,000</u>
Investment income				
Interest/dividends	-	378,220	524,939	506,252
Unrealized gain (loss)	-	( 3,607,401)	( 5,094,157)	( 337,092)
Gain (loss) on sale of investments	<u>-</u>	<u>1,640,342</u>	<u>2,888,837</u>	<u>162,867</u>
Total investment income (loss)	-	( 1,588,839)	( 1,680,381)	332,027
Less investment expenses	<u>-</u>	<u>( 86,469)</u>	<u>( 91,361)</u>	<u>-</u>
Net investment income (loss)	<u>-</u>	<u>( 1,675,308)</u>	<u>( 1,771,742)</u>	<u>332,027</u>
Total Additions	<u>39,750</u>	<u>( 844,065)</u>	<u>( 664,849)</u>	<u>742,027</u>
<b>Deductions:</b>				
Retirement benefit payments	39,750	1,220,546	1,227,358	-
Health insurance	-	266,945	641,461	-
Life insurance	-	2,841	5,243	-
Professional fees	-	18,914	16,077	-
Other	-	3,822	6,332	90
Total Deductions	<u>39,750</u>	<u>1,513,068</u>	<u>1,896,471</u>	<u>90</u>
Net Increase (Decrease)	-	( 2,357,133)	( 2,561,320)	741,937
<b>Net assets held in trust for pension benefits:</b>				
Net Assets at beginning of year	<u>958</u>	<u>17,169,437</u>	<u>21,149,863</u>	<u>10,178,969</u>
Net Assets end of year	<u>\$ 958</u>	<u>\$ 14,812,304</u>	<u>\$ 18,588,543</u>	<u>\$ 10,920,906</u>

Employees Vacation/ Sick Pay	Total
\$ -	\$ 213,117
22,487	2,197,256
<u>22,487</u>	<u>2,410,373</u>
30,928	1,440,339
4,105	( 9,034,545)
<u>1,130</u>	<u>4,693,176</u>
36,163	( 2,901,030)
-	( 177,830)
<u>36,163</u>	<u>( 3,078,860)</u>
<u>58,650</u>	<u>( 668,487)</u>
-	2,487,654
-	908,406
-	8,084
-	34,991
<u>58,650</u>	<u>68,894</u>
<u>58,650</u>	<u>3,508,029</u>
-	( 4,176,516)
-	48,499,227
<u>\$ -</u>	<u>\$ 44,322,711</u>

**CITY OF MARYSVILLE, MICHIGAN**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND - SCHOOL AND COUNTY TAX FUND  
FOR THE YEAR ENDED JUNE 30, 2008**

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL ALL AGENCY FUNDS</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$      34,082	\$  14,720,278	\$  14,615,663	\$     138,697
Taxes receivable	<u>     228,492</u>	<u>     11,713,288</u>	<u>     11,825,396</u>	<u>     116,384</u>
Total Assets	<u><u>     \$  262,574</u></u>	<u><u>     \$ 26,433,566</u></u>	<u><u>     \$ 26,441,059</u></u>	<u><u>     \$  255,081</u></u>
 <b>Liabilities:</b>				
Due to other governmental units -	<u><u>     \$  262,574</u></u>	<u><u>     \$ 26,433,566</u></u>	<u><u>     \$ 26,441,059</u></u>	<u><u>     \$  255,081</u></u>



**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL  
FUNDS**

# CITY OF MARYSVILLE, MICHIGAN

## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE OF CHANGES IN CAPITAL ASSETS FOR THE YEAR ENDED JUNE 30, 2008

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
<b>General City:</b>				
Land	\$ 1,067,470	\$ -	\$ 150,000	\$ 917,470
Land improvements	2,224,635	145,795	-	2,370,430
Buildings	6,052,486	24,199	-	6,076,685
Building improvements	498,622	-	-	498,622
Machinery & equipment	2,540,193	175,872	67,458	2,648,607
Vehicles	908,849	-	-	908,849
Bikepaths	394,876	-	-	394,876
Sidewalks	2,174,081	59,761	-	2,233,842
Streets	34,557,500	23,840	-	34,581,340
	<u>50,418,712</u>	<u>429,467</u>	<u>217,458</u>	<u>50,630,721</u>
Less - accumulated depreciation	( 32,211,485)	( 1,785,821)	( 54,458)	( 33,942,848)
	<u>18,207,227</u>	<u>( 1,356,354)</u>	<u>163,000</u>	<u>16,687,873</u>
Construction in progress	170,601	595,524	55,492	710,633
	<u>170,601</u>	<u>595,524</u>	<u>55,492</u>	<u>710,633</u>
Net Total Investment in General Fixed Assets	<u><u>\$ 18,377,828</u></u>	<u><u>\$ ( 760,830)</u></u>	<u><u>\$ 218,492</u></u>	<u><u>\$ 17,398,506</u></u>

## **COMPONENT UNITS**

**CITY OF MARYSVILLE, MICHIGAN**

**BALANCE SHEET/STATEMENT OF NET ASSETS  
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 1  
JUNE 30, 2008**

	<u>Governmental Activities</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Net Assets</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Due to primary government	\$ 42,571	\$ -	\$ 42,571
Non-current liabilities			
Due within one year	-	34,549	34,549
Due in more than one year	-	235,875	235,875
	<hr/>	<hr/>	<hr/>
Total Liabilities	42,571	270,424	312,995
<b>Fund Balance (Deficit):</b>			
Unreserved	<u>( 42,571)</u>	<u>42,571</u>	<u>-</u>
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	<u><u>\$ -</u></u>		
<b>Net Deficit:</b>			
Unrestricted		<u>( 312,995)</u>	<u>( 312,995)</u>
		<hr/>	<hr/>
Total Net Deficit		<u><u>\$ ( 312,995)</u></u>	<u><u>\$ ( 312,995)</u></u>

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR  
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
ON THE STATEMENT OF NET ASSETS -  
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 1  
JUNE 30, 2008**

Fund Deficit - Local Development Finance Authority - District No. 1	\$ ( 42,571)
Long - term liabilities, including installments payable, are not due and payable in the current period and therefore are not reported in the funds.	
Notes payable	<u>( 270,424)</u>
Net Deficit of Local Development Finance Authority - District No. 1 activities	<u><u>\$ ( 312,995)</u></u>

**STATEMENT OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN  
FUND BALANCE/STATEMENT OF ACTIVITIES  
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 1  
FOR THE YEAR ENDED JUNE 30, 2008**

	Governmental Activities	GASB 34 Adjustments	Statement of Net Assets
<b>Revenues:</b>			
Taxes	\$ 92,151	\$ -	\$ 92,151
<b>Expenditures/Expenses:</b>			
Current -			
Other	11,522	-	11,522
Debt Service-			
Principal	32,867	( 32,867)	-
Interest and fiscal charges	14,419	-	14,419
	<u>58,808</u>	<u>( 32,867)</u>	<u>25,941</u>
Revenues over expenses	33,343	32,867	66,210
Fund Deficit/Net Deficit at beginning of year	<u>( 75,914)</u>	<u>( 303,291)</u>	<u>( 379,205)</u>
Fund Deficit/Net Deficit at end of year	\$ ( 42,571)	\$ ( 270,424)	\$ ( 312,995)

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES/EXPENSES , AND CHANGE IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 1  
JUNE 30, 2008**

Net change in fund balance - Local Development Finance Authority - District No. 1	\$ 33,343
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The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets.

Principal payments on long term liabilities	32,867
Change in net assets of Local Development Finance Authority - District No. 1 activities	\$ 66,210

**CITY OF MARYSVILLE, MICHIGAN**

**BALANCE SHEET/STATEMENT OF NET ASSETS  
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 2  
JUNE 30, 2008**

	<u>Governmental Activities</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>			
Loan Receivable	<u>\$ 11,788</u>	<u>\$( 11,788)</u>	<u>\$ -</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to primary government	11,788	-	11,788
Accrued interest	-	139,544	139,544
Non-current liabilities			
Due in more than one year	<u>-</u>	<u>3,181,417</u>	<u>3,181,417</u>
 Total Liabilities	11,788	3,320,961	3,332,749
 <b>Fund Balance:</b>			
Unreserved	<u>-</u>	<u>-</u>	<u>-</u>
 Total Liabilities and Fund Balance	<u>\$ 11,788</u>		
 <b>Net Deficits:</b>			
Unrestricted		<u>( 3,332,749)</u>	<u>( 3,332,749)</u>
 Total Net Deficit		<u>\$( 3,332,749)</u>	<u>\$( 3,332,749)</u>

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR  
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
ON THE STATEMENT OF NET ASSETS -  
LOCAL DEVELOPMENT FINANCE AUTHORITY -DISTRICT NO. 2  
JUNE 30, 2008**

Fund Balance - Local Development Finance Authority - District No. 2	\$ -
 Draw on loan proceeds not received at year end	( 11,788)
 Long - term liabilities, including installments payable, are not due and payable in the current period and therefore are not reported in the funds.	
Notes payable	( 3,181,417)
Accrued interest	<u>( 139,544)</u>
 Net Deficit of Local Development Finance Authority - District No. 2 activities	<u>\$( 3,332,749)</u>

**CITY OF MARYSVILLE, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN  
FUND BALANCE/STATEMENT OF ACTIVITIES  
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 2  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Governmental Activities</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Net Assets</u>
<b>Expenditures/Expenses:</b>			
Current -			
Other	\$ 120,392	\$ -	\$ 120,392
Debt Service-			
Interest and fiscal charges	<u>-</u>	<u>129,550</u>	<u>129,550</u>
	120,392	129,550	249,942
<b>Other Financing Sources (Uses):</b>			
Loan proceeds	<u>120,392</u>	<u>( 120,392)</u>	<u>-</u>
Net Change in Fund Balance/Net Assets	-	( 249,942)	( 249,942)
Fund Balance/Net Deficit at beginning of year	<u>-</u>	<u>( 3,082,807)</u>	<u>( 3,082,807)</u>
Fund Balance/Net Deficit at end of year	<u><u>\$ -</u></u>	<u><u>\$( 3,332,749)</u></u>	<u><u>\$( 3,332,749)</u></u>

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES/EXPENSES , AND CHANGE IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 2  
JUNE 30, 2008**

Net change in fund balance - Local Development Finance Authority - District No. 2 \$ -

The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets.

Issuance of long-term debt	( 120,392)
Increase in accrued interest	<u>( 129,550)</u>
Change in net assets of Local Development Finance Authority - District No. 2 activities	<u><u>\$( 249,942)</u></u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council  
City of Marysville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Marysville, as of and for the year ended June 30, 2008, which collectively comprise the City of Marysville's basic financial statements and have issued our report thereon dated October 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Marysville, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City of Marysville's internal control. We considered the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting; which is referenced as 08-01.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Marysville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

This report is intended solely for the information and use of management, the City Council of the City of Marysville, and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

October 23, 2008

**CITY OF MARYSVILLE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**Finding 08-01: Preparation of the Financial Statements in Accordance with GAAP**

**Condition:** The City relies on the auditor to prepare the external financial statements in accordance with generally accepted accounting principles.

**Criteria:** Statement on Auditing Standards No. 112 “Communicating Internal Control Related Matters Identified in an Audit” specifies that the auditee is responsible for internal control over financial reporting. The financial reporting includes the financial statements, including the notes, be presented in accordance with Generally Accepted Accounting Principles. As is the case with many similar-size entities, the City relies on its independent auditors to assist in preparing the financial statements and footnotes.

**Cause:** The City has made the decision that it is more cost effective to outsource the preparation of its annual financial statements to the external auditors than to incur the time and expense of obtaining the necessary training and expertise required to prepare financial statements in accordance with generally accepted accounting principles.

**Effect:** There is the possibility that a misstatement of the City’s financial statements that is more than inconsequential could occur and not be prevented or detected by the City’s internal control.

**Recommendation:** None

**View of Auditee and planned actions:** The City Council evaluates the cost vs. benefits of establishing internal controls over the preparation of financial statements in accordance with GAAP, and has determined that it is in the best interest of the City to outsource this task to its external auditors, and to carefully review the draft financial statements and notes, prior to approving them and accepting responsibility for their content and presentation.

## AUDIT COMMUNICATION LETTER

October 23, 2008

To the Honorable Mayor and  
Members of the City Council  
City of Marysville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marysville for the year ended June 30, 2008, and have issued our report thereon dated October 23, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter dated July 8, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the City of Marysville. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City of Marysville's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### **Planned Scope and Timing of Audit**

We performed the audit according to the planned scope and timing previously communicated with discussions with management.

### **Significant Audit Findings**

#### *Accounting Policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Marysville are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007/2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### *Accounting Estimates*

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of depreciation. Depreciation is based on historical data and estimated useful lives.

Management's estimate for unbilled water and sewer services. The estimate is based on subsequent billings and historical data.

Management's estimate of the allowance for doubtful accounts for delinquent personal property taxes, water and sewer services and ambulance services. The estimates are based on a detailed review of the receivables, historical data and other information.

Management's estimate for the liability for self insurance of health benefits, including claims incurred but not reported. The estimate is based on claims received after the end of the year, discussion with contracted administrators and historical data.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

### *Note disclosures*

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the custodial credit risk of deposits in Note 3 of the financial statements indicates the City holds \$8,632,881 of total deposits, of which \$200,000 is insured with the remaining \$8,785,907 uninsured/uncollateralized, is particularly sensitive to the financial statement users given the risk of a bank failure, the City's deposits may not be returned.

The disclosure of the contingent liabilities for taxpayers appealing their real and personal property tax assessments, namely the Detroit Edison Company, in Note 14 to the financial statements are based on information provided by the City assessor. Because of the possible dollar amount of the tax appeals, this information is particularly sensitive to the financial statements.

### *Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatement detected as a result of audit procedures were corrected by management:

- Transferring asset costs from governmental funds to enterprise funds.

*Assistance with GASB No. 34 Presentation*

As a result of our assistance with the GASB No. 34 presentation, we proposed several entries to the June 30, 2008 account balances to reflect the difference between the Governmental Fund and the Governmental-wide financial statements.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 23, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant factors. To our knowledge, there were not such consultations with other accountants.

*Other Audit Findings or Issues*

In the Report On Internal Control Over Financial Reporting and On Compliance and Other Matters, we noted one deficiency in internal control over financial reporting that we consider to be significant deficiencies.

In addition to the Report on Internal Control we noted a few other items that although are not considered significant deficiencies could improve controls, the operational efficiency and/or compliance with laws and regulations. These items are discussed in Attachment A.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the City Council and management of the City of Marysville and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountants

## **Attachment A**

The following is a list of items that we discussed with administration that are not considered significant deficiencies, however, are items that could improve controls, the operational efficiency of the accounting department and/or compliance with laws and regulations:

### **Controls over the cash receipts in the Police Department should be improved.**

It is our understanding that the department does not use a pre-numbered receipt for all monies received, some types of receipts, i.e. police report payments, are not receipted at all and are kept in the petty cash drawer, and the deposits made by the department are not reconciled to the general ledger. Not writing receipts and reconciling the balance of cash deposited to the general ledger is one of the key controls that a municipality has in preventing inaccurate reporting or fraudulent activity.

We recommend the City require a receipt to be written for all funds received in order to record revenue in the general ledger and reconcile the receipts to the deposits made.

### **Controls over the fiscal accountability of diesel and gasoline fuel could be improved.**

The City maintains gasoline and diesel fuel for the use by the City equipment and vehicles. However, we noted that there is no documentation on the actual inventory value of the fuels at year end. We recommend that the city consider taking a physical inventory at the end of each month or periodically and compare to the perpetual inventory records and report the inventory value on the balance sheet at year end. Further, the city may consider maintaining fuel consumptions records for the city vehicles and equipment to support the reasonableness of fuel usages.

### **The City should consider updating its investment policy.**

During 2006, GASB No. 40 became effective for all governmental units. The Statement requires that the governmental unit disclose additional information regarding the types of investments held, length of maturity, security's rating, any limitation on the amounts that can be invested with any one financial institution or type of investment, etc. In addition, it discusses four types of risk: custodial credit risk, interest rate risk, credit risk and concentration of credit risk. (See Note 3 to the annual financial statements.)

We recommend that the current City investment policy be reviewed and modified to address each type of risk. During this process the Council should consider whether they want to limit the amount and/or percentage of cash and investment that can be invested with any financial institution since the City is only insured for \$100,000 (\$250,000 as of October 3, 2008) with each financial institution.